DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

PART 1 (Pages 1–1019)

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD
CIVIL AERONAUTICS BOARD
DEPARTMENT OF TRANSPORTATION
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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

FRIDAY, FEBRUARY 20, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Hollings.

PANAMA CANAL COMMISSION

STATEMENT OF DENNIS P. McAULIFFE, ADMINISTRATOR

ACCOMPANIED BY:
WALTER D. BJORSETH, CHIEF FINANCIAL MANAGEMENT
MICHAEL RHODE, JR., SECRETARY
MYRON A. SCHROEDER, CHIEF, FINANCIAL PLANNING DIVISION
ROBERT J. BOATWRIGHT, CHIEF, BUDGET BRANCH

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The committee will come to order.

This morning the Transportation Subcommittee is going to hear from the Panama Canal Commission. We are fortunate this morning to have with us our colleague from the full committee, Senator Hollings, who was recently in Panama, and who has agreed to offer to our subcommittee a report on what he observed down there, which will be made part of the record.

I would like now to recognize Senator Hollings for any comments or questions he might have.

STATEMENT OF SENATOR ERNEST F. HOLLINGS

Senator HOLLINGS. Thank you very, very much, Mr. Chairman.

I appreciate very much the opportunity to be here. I apologize to you, General McAuliffe, but we are up in the Budget Committee with Secretary Regan. I just wanted to duck down and file my report on the trip I took with Senator Pryor down to Panama last December, to look into the implementation of the treaty itself.

We were very much impressed with the success of the transition. Specifically, summarizing, and asking that the entire report be made a part of the record, the number of transits has increased from 12,935 in 1979

to 13,570 last year, or 50 more ships per month passed through the canal in 1980 than did in 1979.

Again, with respect to the performance in tonnage, in 1979 there were 160 million Panama Canal net tons, in 1980 that has increased by 9 percent to 182 million. Similarly, the revenues have gone from $210 to $293 million, or an increase of 40 percent.

We went down to the canal itself, the locks, and we saw ships going through. The ships are going, and they are moving expeditiously. I think that it was last September and October that they had a backlog, and that has been cleared. The pilots and everyone else there seem to be keen, alert, and dedicated.

We were impressed all the way around with the success of the implementation of the treaty. Right to the point, everybody we talked to was so impressed with Ambassador Moss and with General McAuliffe—General McAuliffe was formerly assigned to the U.S. military in Panama and he is now the administrator there—the first thing I did on our return was to recommend to President Reagan and Secretary Haig their reappointment.

I don't know if General McAuliffe or Ambassador Moss have any politics, but Murphy's law of "If it ain't broke, don't fix it," is working extremely well. With all the misgivings the new administration has and the problems, and what have you, here is one that is really working, with people in the know, accepted and respected, putting the best foot forward for the United States down there.

We do that enthusiastically, General McAuliffe, and I am glad to see your presentation here this morning.

I could go into other details about the treaty, but I am sure that it would be redundant because you will cover it all with the Commission here this morning. But I do appreciate the opportunity to present this report.

Senator ANDREWS. I appreciate your coming. You have added a great deal. I think what you say, and what General McAuliffe points out in his opening statement, is very true. Two years ago this hearing would have had a filled house with people standing out in the hall fighting to get in. The fact that there isn't that much interest means things are calmed down, and running pretty good.

In quoting Murphy's law, "If it ain't broke, don't fix it," I think it makes a great deal of sense.

Senator HOLLINGS. Thank you very, very much, Mr. Chairman.

Senator ANDREWS. Senator Hollings' report will be printed in the record at this point.

[The report follows:]

REPORT ON THE UNITED STATES AND PANAMA—A GOOD, SOLID BEGINNING

I want to reassure the skeptics and the naysayers: the Panama Canal is alive and well. Moreover, it is operating at near record capacity, due to the substantial increase in shipments of Alaskan oil, as well as larger than normal shipments of U.S. coal and grain moving to the Far East. In short, the canal is operating effectively and efficiently, thanks in very large part to the 1977 Panama Canal treaties and to the understanding and cooperation that has been developed in the wake of the ratification and implementation of them.

All Americans and all Panamanians can be justifiably proud of the 1977 agreements and of the new partnership arrangement which they have served to establish. For the

United States and for Panama, a good, solid beginning has been made. But don't take my word for it. Go down and see for yourself. That's what I did during the period December 13–18.

As a result of my stay in Panama, I am more convinced than ever that the new canal treaties were right for the United States and right for Panama. And despite the efforts by the diehard opposition to keep the controversy about the treaties alive, the reality is there for everyone to see: A canal that is open, operating, running smoothly, and serving the needs of the world community.

All of this, of course, is a far cry from what the treaty opponents predicted. "The canal will be shut down," they said. "What do the Panamanians know about running the canal," they asked. "The tolls will be raised to unreasonable levels," they warned. "How will we defend the canal," they bellowed. "The canal is our lifeline and those treaties will turn it over to some tinhorn dictator named Torrijos," they bellyached. "It's treason, pure and simple," they shouted.

To put it politely, such claims were hogwash then and they are hogwash now. What the treaties were designed to do and what they have actually done is this: they have given the people and the Government of Panama a vital stake in the operation, maintenance, and defense of the canal; they have given full recognition to the fact that the canal is there because Panama's major natural resource is its geographic location; and last but by no means least, they have given Panama a renewed sense of national dignity and purpose by recognizing, both in theory and in practice, its territorial sovereignty over the entire Nation. Yes, the Canal Zone has been relegated to the history books—where it properly belongs.

But the important point for Americans to understand is that all of these considerations don't benefit just Panama. They benefit us just as much—if not more. And don't forget that in addition the United States retains primary responsibility for the operation, maintenance, and defense of the canal until the year 2000. At the same time we are assured that forever and a day the Panama Canal will remain open and neutral and that we will have specific rights to protect and defend its neutrality in perpetuity. Yes, as U.S. military leaders pointed out long ago, our national interest is in the use of the canal, and in our access to it. The 1977 treaties guarantee both.

We can all be thankful for these developments, just as we can all be thankful for the political courage, wisdom, and foresight of those in the United States and in Panama who "fought" and "bled" and "died" for the 1977 canal treaties. As Teddy Roosevelt himself said many years ago, "The important thing is the next step." And he went on to explain this way:

"It often happens that the good conditions of the past can be regained not by going back, but by going forward. We cannot recreate what is dead; we cannot stop the march of events; but we can direct this march and out of the conditions develop something better than the past knew."

For his time, Roosevelt helped to create "something better than the past knew." Because of the new canal treaties, we—the United States and Panama—have done the same for our time.

The primary purpose of my December visit to Panama was to observe firsthand the implementation of the 1977 canal agreements and the functioning of the canal itself. Similarly, I was anxious to examine and evaluate the present status of our relations with Panama.

In order to make this assessment, I spent a great deal of time with a variety of U.S. and Panamanian officials. On the American side, there were in-depth briefing sessions with U.S. Ambassador Ambler Moss, Jr., and other embassy officials, with Canal Commission Administrator Dennis McAuliffe and his staff, and with U.S. Southern Command Chief General Wallace Nutting and other members of the U.S. military contingent. On the Panamanian side, I visited with President Aristedes Royo, Commander of the National Guard Omar Torrijos, Deputy Canal Commission Administrator Fernando Manfredo, and former Ambassador to the United States Gabriel Lewis.

Moreover, I had an opportunity to tour the entire canal facility and to undertake a lengthy inspection of the operations at the Miraflores Locks. Plain and simple, the canal and its facilities are an impressive sight to behold. Equally impressive is the skill and the determination of those who work on the canal on a daily basis. In the final analysis, of course, they are the ones who make it function and function well.

In addition, I took advantage of the opportunity for discussions and conversations with both U.S. and Panamanian private sector representatives. Similarly, there was am-

ple opportunity to talk to "average" citizens from Panama as well as the United States. These included blue-collar workers, enlisted military personnel, shopkeepers, and even the artisans and craftsmen of the Cuna Indian Tribe who inhabit the San Blas Islands.

As a result of these contacts, conversations, and discussions, both formal and informal, it was impossible to come to any conclusion other than, a little over 1 year after the entry into force of the new treaty arrangements, the canal is functioning smoothly and efficiently; both the United States and Panama are working hard to establish the kind of partnership deal which the treaty negotiators and supporters envisioned; and finally, because of the good faith effort on both sides, U.S.-Panamanian relations are at an alltime high. To state the obvious, these are not insignificant achievements.

Looking at the operation of the canal, the statistics tell the story. During the past fiscal year, the first year of canal operations under the 1977 treaties, the Panama Canal Commission reported a record number of transits: 13,507 oceangoing commercial transits, compared to 12,935 for the previous year. On the average, then, approximately 50 more ships per month passed through the canal in fiscal 1980 than in fiscal 1979.

Another important indicator of the canal's performance is tonnage. Here the Commission reported a similar story: for fiscal 1980, 182 million Panama Canal net tons passed through the canal, as against 168 million in fiscal 1979. This comparison indicates about a 9-percent increase.

Because of the increased transits and tonnage, as well as the increased toll level to provide for the larger payments to Panama as required by the 1977 treaty, canal revenues during fiscal year 1980 went up considerably. For fiscal 1979, toll-generated revenue totaled $210 million. In 1980, it reached the $293 million mark, representing an increase of about 40 percent. This revenue, plus other canal income generated by a number of service-related activities, such as dockage fees and the like, was more than sufficient to meet all of the canal's operating and capital expenditures, while also allowing the Canal Commission to make payments to Panama of some $75 million pursuant to the terms of the new treaty.

Clearly, these figures provide solid evidence that the arrangements spelled out in the 1977 treaties are working and working well. One Canal Commission official stated the case this way, "I believe it is fair to say that the new arrangements are working better than most people expected they would." And to underscore this point, he added, "The best evidence of this is the year of sustained high performance we have just completed." And looking to the future, this same official expressed considerable optimism, "So, based on the first year's experience under the new treaty, I believe the prospects for the future are good. With continued cooperation and with continuing programs of maintenance and capital improvements, it is reasonable to expect that the Panama Canal will provide a valuable service to world commerce for many years to come."

Just as the canal operations have been encouraging during the past year, so too have been the improved relations between the United States and Panama. Officials of the United States, no less than Panamanian authorities, are quick to point out that during the preceding year Panama was willing to take in the Shah and his family at a time when even our closest NATO allies politely but firmly refused to do so; that Panama wasted no time in forcefully denouncing the Soviet invasion of Afghanistan and urged other nations in the nonalined movement to do the same; that shortly after the call by the United States for other nations to boycott the Moscow Olympics, Panama quickly joined in and lent its support to the boycott effort; and that when Cuban refugees began leaving Mariel Harbor for the United States, Panama prohibited vessels under its flag from participating in the boatlift.

All of this suggests, as Panamanian officials were anxious to explain, that because of the 1977 canal agreements and the effective implementation of them, the United States and Panama have reached a greater level of understanding and friendship than ever before. This message came through loud and clear from President Royo on down. But perhaps General Torrijos explained it best with reference to the U.S. request concerning the Shah. Torrijos said, "You asked us for a favor. We do favors for our friends and we don't waste time. In the case of the Shah, we didn't tell you that we would have to think about it or analyze the situation or anything else. We did it because you came to us as a friend and we were glad to help out—no questions asked."

It was not always this way. As anyone who visited Panama during the pretreaty period or who studied U.S.-Panamanian history knows, relations have not been particularly friendly or cordial. Rather, they have been marked historically by some very severe stresses and strains.

Following my earlier visit to Panama in late August 1977, just days before the new treaties were signed, I described the situation there in these terms:

"In sum, dealing with the Panama Canal issue is like treading a political minefield. Eventually, it will either be cleared or it will surely explode. All of the necessary ingredients are there—the political factors, the economic concerns, the social considerations, the security issues, the lines of battle. Bringing the ingredients together is a nationalistic cause, both American and Panamanian. If nationalism on either side gets out of hand, the cause will be lost on both sides."

Because of the 1977 canal treaties, the nationalistic fervor evident then has been dealt with successfully. The treaties were a victory for both countries. And because of that victory, there is political peace and quiet in Panama today.

Indeed, as I think back on that period, the situation in the Central American region has changed dramatically. At that time, Panama itself was the major issue. Would it explode or would the negotiations succeed? In contrast, the rest of the area, including Nicaragua, El Salvador, and Guatemala, was relatively peaceful and calm. Well, as we now know, the negotiations with Panama did succeed, and in the meantime, the political situation elsewhere in the region bears little resemblance to what it was less than 3 years ago. Somoza is gone from Nicaragua. Political fanatics are battling it out in El Salvador. And there is growing unrest and increasing violence in Guatemala.

The fact of the matter is that in much of Central America today, terrorism, assassination, and murder are, tragically, all-too-ordinary everyday occurrences. Bodyguards and armored cars are almost as commonplace as street vendors and taxicabs. Not so in Panama. There is no terrorism. There is no political violence. Nor is there any hint of anti-Americanism. Rather, the most prominent characteristics of Panama today are increasing political stability and a more open political process, with popular elections for president and vice president scheduled for 1984; a developing economy, geared toward free enterprise and the capitalist model as evidenced by the more than 100 foreign banks which are operating there; and a healthy, optimistic attitude about the future of the country, and its relations with the United States. Yes, all in all Panama at this stage and for the foreseeable future has a lot going for it. And so does the United States. On both accounts, the 1977 treaties played their part.

Looking toward the future, then, the Reagan administration has a "golden opportunity" to build on the kind of solid foundation that has been set because of the new treaty arrangements and because of the expressed desire on both sides to enhance and improve bilateral relations between our two countries. For our part, the new administration ought to give serious consideration to reappointing two key U.S. officials who are presently serving in Panama. First, Ambler Moss, Jr. should be reappointed as U.S. Ambassador to Panama. And second, Dennis P. McAuliffe should be reappointed as Administrator of the Panama Canal Commission. As highly competent professionals and strong treaty supporters, these two U.S. officials, in particular, have earned the respect, admiration, and confidence of Panamanian Government authorities, as well as Panamanian private sector representatives. Because of this, Panamanians are not at all hesitant about suggesting that the reappointment of both officials would be seen as highly positive steps. In other words, the new administration could send no more encouraging signal or message to Panama than by an early decision to reappoint both Ambassador Moss and Administrator McAuliffe. And for my money, the sooner the better.

In similar vein, the Reagan administration would be well advised to express keen interest in the idea of an updated sea-level canal study. Under the terms of the 1977 Panama Canal Treaty, the two countries committed themselves to undertake a joint feasibility study of the sea-level canal option, and to negotiate mutually acceptable terms if there were agreement on the need for such a canal. Moving ahead with such a study would not only fulfill this treaty requirement, but would indicate a realistic awareness of the inherent limitations of the present lock canal and recognize the growing interest on the part of Panama, as well as Japan, in the sea-level canal option. With the Panama Canal currently operating at near capacity and given the increasing interest in the sea-level canal approach, an updated, in-depth feasibility study would make a great deal of sense.

Finally, and at the risk of offering one recommendation too many, I strongly suggest that the new administration seek the advice and counsel of Panamanian officials concerning the explosive situation elsewhere in Central America. For a lot of reasons, some good and some bad, they have the kind of credibility in the area that we just cannot match. Because of their credibility and their regional contacts, we can learn a

good deal from them about the situations in El Salvador, Guatemala, and Nicaragua. We would do well to listen and learn from the Panamanians about those situations and to ask for their suggestions and policy recommendations. I make this proposal because I am convinced that we have no better friend in this world than Panama. And after all, Central America is more in its "backyard" than it is in ours.

STATEMENT OF ADMINISTRATOR

Senator ANDREWS. Now we will hear the testimony of General McAuliffe, the Administrator of the Panama Canal Commission.

General, if you would introduce your accompanying witnesses. Your formal statement, which you could summarize, will appear in full in the record, and we would have a little bit more time for questioning.

Mr. MCAULIFFE. Thank you, Mr. Chairman.

I am Dennis P. McAuliffe, Administrator of the Panama Canal Commission. I am pleased to appear before you today to request an appropriation for fiscal year 1982 budget programs of the Panama Canal Commission, the agency responsible for operation of the Panama Canal.

Attending with me are Walter D. Bjorseth, on my right, the Chief Financial Officer of the Commission; Michael Rhode, Jr., on my left, the Secretary of the Panama Canal Commission; Myron Schroeder, Chief of the Financial Planning Division, to Mr. Bjorseth's right; and Robert Boatwright, Chief of the Budget Branch, to Mr. Schroeder's right.

I propose to enter my full statement in the record, and to summarize it at this time.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be entered in the record at this point in its entirety.

[The statement follows:]

Statement of Dennis P. McAuliffe

MR. CHAIRMAN, MEMBERS OF THE TRANSPORTATION SUBCOMMITTEE ON APPROPRIATIONS, I AM DENNIS P. McAULIFFE, ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO REQUEST AN APPROPRIATION FOR THE FISCAL YEAR 1982 BUDGET PROGRAMS OF THE PANAMA CANAL COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL. ATTENDING WITH ME ARE WALTER D. BJORSETH, CHIEF FINANCIAL OFFICER; MICHAEL RHODE, JR., SECRETARY; MYRON A. SCHROEDER, CHIEF, FINANCIAL PLANNING DIVISION; AND ROBERT J. BOATWRIGHT, CHIEF, BUDGET BRANCH. I PROPOSE TO ENTER MY FULL STATEMENT INTO THE RECORD AND TO SUMMARIZE IT AT THIS TIME.

OVERVIEW OF FIRST YEAR

THE FIRST YEAR OF OPERATION UNDER THE PANAMA CANAL TREATY AND THE PANAMA CANAL ACT OF 1979 HAS BEEN A SUCCESSFUL ONE BY ALMOST ANY STANDARD. MORE PANAMA CANAL NET TONNAGE WAS MOVED THROUGH THE CANAL IN 1980 THAN IN ANY YEAR OF THE CANAL'S HISTORY. THERE WAS A NINE PERCENT INCREASE IN NET TONNAGE BETWEEN 1979 AND 1980--183 MILLION TONS IN 1980; 168 MILLION TONS IN 1979. IN 1980, THERE WERE 13,507 OCEANGOING COMMERCIAL TRANSITS COMPARED TO 12,935 IN 1979--AN AVERAGE OF ALMOST 50 MORE SHIPS PER MONTH.

LIKEWISE, OUR TOLLS REVENUE INCREASED SUBSTANTIALLY IN FISCAL YEAR 1980. WE REALIZED AN APPROXIMATE 40 PERCENT INCREASE BETWEEN 1979 AND 1980, FROM $210 MILLION TO $293 MILLION. WHILE A LARGE PART OF THIS INCREASE IS ATTRIBUTABLE TO THE 29.3 PERCENT RISE IN TOLL RATES EFFECTIVE OCTOBER 1, 1979, A PORTION CAN BE ATTRIBUTED TO THE INCREASED NUMBER OF SHIP TRANSITS.

SHIP BACKLOG

A SIZEABLE BACKLOG OF VESSELS AWAITING TRANSIT DEVELOPED TOWARD THE END OF THE FISCAL YEAR, REACHING A PEAK OF 182 VESSELS IN OCTOBER 1980. THIS BACKLOG, CREATED BY AN UNFORESEEN SURGE IN DAILY SHIP ARRIVALS, WAS FINALLY REDUCED TO A NORMAL LEVEL IN MID DECEMBER. THE UNFORESEEN SURGE RESULTED FROM SHARP INCREASES OF COAL AND GRAIN SHIPMENTS FROM EASTERN AND GULF PORTS THROUGH THE CANAL TO JAPAN AND CHINA, COUPLED WITH A HIGH NUMBER OF DAILY TRANSITS OF ALASKAN NORTH SLOPE OIL. DURING THE HEIGHT OF THE BACKLOG, SHIP WAITING TIME ROSE TO AN AVERAGE OF FIVE DAYS RESULTING IN SIGNIFICANT MONETARY LOSSES TO SHIPOWNERS AND DELAYS IN THE DELIVERY OF CARGO.

AN EXTENSIVE AMOUNT OF OVERTIME BY CANAL PILOTS AND SUPPORT PERSONNEL, COUPLED WITH OTHER INNOVATIVE TECHNIQUES, WAS REQUIRED TO REDUCE THIS BACKLOG. LOCKS MAINTENANCE CREWS WERE AUGMENTED TO ASSURE THE SUSTAINED DAY-TO-DAY OPERATIONAL EFFICIENCY OF THE LOCKS AND ASSOCIATED TOWING EQUIPMENT. INNOVATIVE TRANSIT SCHEDULING TECHNIQUES WERE ALSO IMPLEMENTED.

WE ALSO INITIATED OPERATIONAL TESTING OF A TRANSIT RESERVATION SYSTEM WHICH SHOULD ENHANCE OUR FLEXIBILITY IN SCHEDULING TRANSITS AND CONTRIBUTE TO MORE EVENLY BALANCED ARRIVALS OF SHIPS. UNDER THIS SYSTEM, VESSELS CAN NOTIFY US IN ADVANCE OF THEIR ARRIVAL AND OBTAIN AN ASSURED DATE FOR TRANSIT. THE TEST IS STILL IN PROGRESS.

THIS HEAVY BACKLOG EMPHASIZED TO US THE NEED TO REEVALUATE OUR CAPITAL IMPROVEMENT PROGRAMS. IT WAS APPARENT THAT IMMEDIATE ACTION WAS NEEDED TO INCREASE CANAL CAPACITY. AS YOU ARE AWARE, MR. CHAIRMAN, WE HAVE TAKEN ACTION TO ACCELERATE CERTAIN CAPITAL PROGRAMS WHICH WILL ACHIEVE THIS OBJECTIVE. THESE ACTIONS, AS APPROVED BY THE CONGRESS, INCLUDE ADVANCING PROCUREMENT OF ONE TUGBOAT, THREE TOWING LOCOMOTIVES FOR THE LOCKS, AND CONSTRUCTION OF A VESSEL TIE-UP STATION NEAR PEDRO MIGUEL LOCKS. THE NET EFFECT OF THIS ACTION, WHEN THE PROJECTS

ARE COMPLETED, WILL BE TO INCREASE THE SUSTAINED CAPACITY OF THE CANAL TO TRANSIT VESSELS.

TREATY TRANSITION

THE PERSONNEL TURBULENCE RESULTING FROM THE TREATY TRANSITION HAS BEEN STABILIZED. THERE HAS BEEN A STRENGTHENING OF THE TEAMWORK AND EFFICIENCY OF OUR WORK FORCE. THROUGH INTENSIFICATION AND EXPANSION OF TRAINING PROGRAMS, WE ARE CONFIDENT THAT WE WILL BE ABLE TO DEVELOP AND MAINTAIN THE NEEDED SKILLS IN THE WORK FORCE FOR THE FUTURE.

OUR MISSION, TO OPERATE THE PANAMA CANAL EFFICIENTLY AND SAFELY FOR THE BENEFIT OF WORLD COMMERCE, HAS REMAINED ESSENTIALLY THE SAME, ALTHOUGH THE OPERATING ENVIRONMENT HAS CHANGED SIGNIFICANTLY. DESPITE VARIOUS CONCERNS TO THE CONTRARY, THE TRANSITION ON OCTOBER 1, 1979, WAS VERY SMOOTH AND ORDERLY. THERE WERE NO MAJOR DISRUPTIONS IN ANY OF THE CANAL ACTIVITIES. THE PROBLEMS THAT DID ARISE WERE MET AND DEALT WITH EFFICIENTLY AND EXPEDITIOUSLY. THIS WAS DUE PRIMARILY TO THE SPIRIT OF COOPERATION THAT HAS CONTINUED TO PREVAIL AMONG THE PANAMA CANAL COMMISSION, THE U.S. MILITARY FORCES IN PANAMA, AND THE GOVERNMENT OF PANAMA.

TREATY PAYMENTS TO PANAMA

DURING THE FIRST YEAR OF OPERATION, THE YEAR COINCIDING WITH FISCAL YEAR 1980, A TOTAL OF $75.0 MILLION IN TREATY-RELATED PAYMENTS WERE MADE TO THE REPUBLIC OF PANAMA. THESE INCLUDED A FIXED ANNUITY PAYMENT OF $10 MILLION, A PUBLIC SERVICES PAYMENT OF $10 MILLION, AND A NET TONNAGE PAYMENT OF $55 MILLION. THESE PAYMENTS WERE OFFSET BY $3.8 MILLION FOR AMOUNTS OVERDUE THE COMMISSION FROM THE GOVERNMENT OF PANAMA. SUBJECT TO AUDIT BY THE U.S. GENERAL ACCOUNTING OFFICE, AN ADDITIONAL PAYMENT OF APPROXIMATELY $2.7 MILLION IS DUE THE REPUBLIC OF PANAMA AS REQUIRED BY PARAGRAPH 4(C) OF ARTICLE XIII OF THE TREATY. COMMONLY REFERRED TO AS THE CONTINGENCY

PAYMENT, IT REPRESENTS THE EXCESS OF OPERATING REVENUES OVER EXPENDITURES DURING FISCAL YEAR 1980. A REQUEST FOR A SUPPLEMENTAL APPROPRIATION HAS BEEN SUBMITTED TO FUND THIS TREATY PAYMENT TO PANAMA IN FISCAL YEAR 1981.

BOARD OF DIRECTORS

THE COMMISSION'S BOARD OF DIRECTORS, CONSISTING OF FIVE U.S. MEMBERS AND FOUR PANAMANIAN, HAS MET FOUR TIMES, ONCE IN THE UNITED STATES AND THREE TIMES IN PANAMA. IT HAS WORKED HARMONIOUSLY AND HAS ADDRESSED MANY CRITICAL ISSUES. SEVERAL SIGNIFICANT PERSONNEL MATTERS WERE CONSIDERED AT THE MOST RECENT MEETING, HELD IN JANUARY, WHICH INCLUDED A MEETING WITH UNION REPRESENTATIVES.

COORDINATION WITH PANAMA

THE TREATY FRAMERS RECOGNIZED THAT THERE WOULD BE A CONTINUING NEED FOR BINATIONAL COORDINATION AND CONSULTATION TO DEAL ON A DAY-TO-DAY BASIS WITH UNFORESEEN PROBLEMS AND SITUATIONS. THE BODIES WHICH WERE CREATED FOR THIS PURPOSE, SUCH AS THE COORDINATING COMMITTEE AND ITS SUBCOMMITTEES, ARE FUNCTIONING AND HANDLING ISSUES IN A PRACTICAL, COOPERATIVE WAY. THE COORDINATING COMMITTEE IS CURRENTLY ADDRESSING SUCH MATTERS AS PUBLIC SERVICE STANDARDS, LAND-USE LICENSING PROCEDURES, POLICE PROCEDURES, AND THE PURCHASE BY PANAMA OF EXCESS EQUIPMENT.

PANAMA HAS CONTRIBUTED SIGNIFICANTLY TO A RESTORATION OF CONFIDENCE AMONG ALL OF US BY COOPERATING AND ASSISTING IN EVERY POSSIBLE WAY DURING THE DIFFICULT TRANSITION. THIS COOPERATION CAN BE SYMBOLIZED BY THE JOINT POLICE PATROLS COMPRISED OF CANAL COMMISSION POLICE AND MEMBERS OF THE PANAMA NATIONAL GUARD WHICH HAVE PROVIDED A HIGH LEVEL OF SECURITY AND PROTECTION AND THUS ALLEVIATED MANY OF THE FEARS AND CONCERNS PREVIOUSLY EXPRESSED BY CANAL AREA RESIDENTS.

THE COMMISSION CONTINUES TO PROVIDE THE GOVERNMENT OF PANAMA TECHNICAL ASSISTANCE IN OPERATING FUNCTIONS TURNED OVER TO PANAMA ON OCTOBER 1, 1979. THIS ASSISTANCE INCLUDES LOANED LABOR AND EQUIPMENT FOR USE IN THE PORTS AND RAILROAD OPERATIONS. IN ADDITION, THE COMMISSION HAS JOINED WITH THE EMBASSY AND THE SOUTHERN COMMAND IN HOLDING SEMINARS FOR PANAMANIAN BUSINESSMEN ON CONDUCTING BUSINESS WITH THE U.S. AGENCIES IN PANAMA.

ON DECEMBER 31, 1980, THE FORMER CANAL ZONE PENITENTIARY WAS TURNED OVER TO PANAMA, SOME NINE MONTHS EARLY, AS PART OF THE PRISONER EXCHANGE TREATY BETWEEN THE UNITED STATES AND PANAMA. THE PRISONER EXCHANGE WAS COMPLETED AT THE END OF SEPTEMBER AND A SKELETON CREW FROM THE COMMISSION'S POLICE DIVISION MAINTAINED THE PENITENTIARY PROPERTY AND GROUNDS UNTIL THE DECEMBER TURNOVER. THE PENITENTIARY FACILITY, WHICH INCLUDES INDUSTRIAL SHOPS, A CHAPEL, AND RECREATIONAL FACILITIES, IS EXPECTED TO BE USED BY PANAMA AS A REHABILITATION CENTER FOR FIRST-TIME OFFENDERS.

PERSONNEL ACTIVITY

ONE OF THE MOST SIGNIFICANT PROBLEMS INVOLVES PERSONNEL TURBULENCE. THE PERSONNEL MOVEMENTS WHICH OCCURRED IN OCTOBER 1979 WERE SUBSTANTIAL. SOME 5,500 INDIVIDUALS WERE AFFECTED BY INVOLUNTARY SEPARATIONS, TRANSFER OF FUNCTIONS, RESIGNATIONS, RETIREMENTS, INTERNAL REASSIGNMENTS, AND GRADE CHANGES. PRIOR TO THAT, THE UNCERTAINTIES OF THE IMPENDING TREATY WERE MANIFESTED IN A RELATIVELY HIGH RATE OF RESIGNATIONS AND RETIREMENTS.

IN OUR FIRST YEAR UNDER THE TREATY, THE RATE OF RESIGNATIONS AND RETIREMENTS FOR U.S. CITIZENS, THOSE CONSIDERED MOST VULNERABLE UNDER THE NEW TREATY, HAS STABILIZED AT AN ACCEPTABLE LEVEL.

RETIREMENTS ARE OCCURRING AT ABOUT THE SAME PACE AS IN PREVIOUS YEARS. FROM AUGUST 1978 THROUGH SEPTEMBER 1979 THERE

WERE 270 U.S. CITIZEN RETIREMENTS, REPRESENTING ABOUT TWO PERCENT OF THE FORMER COMPANY/GOVERNMENT FORCE. DURING A SIMILAR FOURTEEN-MONTH PERIOD FROM OCTOBER 1979 THROUGH NOVEMBER 1980, THERE WERE 196 RETIREMENTS, ALSO ABOUT TWO PERCENT. IT IS EXPECTED THAT, FOR THE IMMEDIATE FUTURE, THE RETIREMENT PACE AMONG U.S. CITIZENS WILL NOT EXCEED THE CURRENT LEVEL.

THE NUMBER OF RESIGNATIONS AMONG THIS GROUP HAS BEEN REMARKABLY LOW. FROM OCTOBER 1979 THROUGH NOVEMBER 1980, ONLY 75 RESIGNATIONS OCCURRED, ABOUT ONE PERCENT OF THE COMMISSION'S PERMANENT FORCE LEVEL. DURING A SIMILAR FOURTEEN-MONTH PERIOD IN 1978-1979 (AUGUST 1978 - SEPTEMBER 1979), THERE WERE 299 RESIGNATIONS, OR APPROXIMATELY TWO PERCENT OF THE COMPANY/GOVERNMENT FORCE. THE CURRENT PACE OF RESIGNATIONS AMONG THIS GROUP OF SKILLED EMPLOYEES IS LOWER THAN AT ANY TIME DURING THE PAST SEVEN YEARS.

WE APPEAR TO HAVE OVERCOME THE WIDESPREAD PERSONNEL UNREST THAT WAS FACED IN LATE 1979. THIS DOES NOT MEAN THAT ALL OUR PERSONNEL PROBLEMS HAVE BEEN RESOLVED, FOR THERE PERSIST POCKETS OF EMPLOYEE DISSATISFACTION, HARDSHIP AND RESULTANT LOW MORALE THAT DEMAND CONTINUING MANAGEMENT ATTENTION.

TRAINING AND RECRUITMENT

THE SUCCESS OF OUR FIRST YEAR OF OPERATION IS TESTIMONY TO OUR ABILITY TO RETAIN AND MOTIVATE THE SKILLED WORK FORCE NECESSARY TO OPERATE THE CANAL. THE SUCCESS IN FILLING FUTURE SKILLS AND MANAGERIAL REQUIREMENTS LIES PRIMARILY WITH INTENSIFIED TRAINING PROGRAMS FOR PANAMANIANS. WE HAVE A CONTINUING STRONG COMMITMENT TO TRAINING AS THE PRIMARY MEANS OF INSURING THE INCREASED PANAMANIAN PARTICIPATION IN CANAL OPERATIONS MANDATED BY THE TREATY.

THE IMMEDIATE GOAL OF OUR TRAINING PROGRAM IS TO MINIMIZE THE NEED TO RECRUIT SKILLED EMPLOYEES FROM OUTSIDE THE ISTHMUS OF PANAMA. WE HAVE EXPANDED THE INDUSTRIAL APPRENTICE PROGRAM

WITH THE OBJECTIVE TO PRODUCE ENOUGH SKILLED CRAFTSMEN TO REPLACE THOSE WHO RETIRE OR RESIGN. WE SHOULD BE ABLE TO SATISFY WITHIN THE NEXT FEW YEARS MOST OF OUR NEEDS FOR TECHNICIANS TO MAINTAIN AND OPERATE THE CANAL, ALTHOUGH THERE WILL CONTINUE TO BE EXCEPTIONS IN CANAL PILOTS, TUGBOAT MASTERS AND SOME OTHER SKILLS NOT GENERALLY AVAILABLE IN PANAMA.

IN ADMINISTRATIVE AND MANAGERIAL AREAS, WE ARE STRIVING TO PROVIDE SPECIAL TRAINING AND EXPERIENCE FOR THOSE PANAMANIAN EMPLOYEES WITH ADVANCEMENT POTENTIAL.

MORALE AND QUALITY OF LIFE

THE MORALE AND QUALITY OF LIFE OF THE MEMBERS OF OUR WORK FORCE CONTINUE TO BE OF MAJOR CONCERN. OVER THE PAST YEAR, WE HAVE SCHEDULED MANY MEETINGS WITH EMPLOYEE GROUPS AND HAVE ESTABLISHED AN OMBUDSMAN OFFICE TO DEAL WITH EMPLOYEE PROBLEMS. AS BEST WE COULD, WE HAVE BROUGHT OUR INFLUENCE TO BEAR AND HAVE ACHIEVED A DEGREE OF SUCCESS IN RESOLVING MANY OF THEIR CONCERNS. WHILE OUR EMPLOYEES HAVE HAD TO ADJUST TO SOME DIMINUTION IN THE QUALITY OF LIFE, WE ARE CONTINUING TO STRIVE FOR BETTER LIVING AND WORKING CONDITIONS FOR THEM AND THEIR FAMILIES, AMERICAN AND PANAMANIAN.

APPROPRIATION REQUEST

THE CARTER ADMINISTRATION APPROPRIATION REQUEST COVERS AN APPROPRIATION FOR THE PANAMA CANAL COMMISSION IN FISCAL YEAR 1982 TOTALING $425.0 MILLION. THIS INCLUDES $405.2 MILLION FOR OPERATIONAL REQUIREMENTS DURING THE YEAR AND $19.8 MILLION FOR CAPITAL EQUIPMENT AND CONSTRUCTION TO REMAIN AVAILABLE UNTIL EXPENDED. ALL FUNDS AUTHORIZED FOR APPROPRIATION TO THE COMMISSION ARE TO COME FROM THE PANAMA CANAL COMMISSION FUND. THIS BUDGET IS BEING CRITICALLY REVIEWED BY THE NEW ADMINISTRATION AND CERTAIN CHANGES MAY EMERGE FROM THAT PROCESS. THOSE CHANGES WILL BE SUBMITTED FOR CONGRESSIONAL

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CONSIDERATION WHEN THE PRESIDENT SUBMITS THE REVISED BUDGET. THE FOLLOWING COMMENTS, THEREFORE, ARE SUPPORTIVE OF THE PROPOSED BUDGET NOW IN THE POSSESSION OF THE COMMITTEE.

OPERATING EXPENSES

THE APPROPRIATION REQUESTED FOR OPERATING EXPENSES IN FISCAL YEAR 1982 IS $405.2 MILLION. THE MAJOR COST COMPONENTS OF THIS TOTAL ARE $197.0 MILLION FOR PERSONNEL COMPENSATION, $80.2 MILLION FOR TREATY PAYMENTS TO PANAMA, $51.0 MILLION FOR SUPPLIES AND MATERIALS, AND $16.7 MILLION FOR LIBERALIZED RETIREMENT BENEFITS.

THE APPROPRIATION REQUESTED FOR 1982 REPRESENTS AN INCREASE OF $33.7 MILLION OVER THE AMOUNT APPROPRIATED FOR OPERATIONS IN 1981. MOST OF THIS INCREASE REFLECTS PAY AND OTHER COST ESCALATIONS. HOWEVER, THE CARTER 1982 PROGRAM DOES PROVIDE FOR AN INCREASE IN MAINTENANCE DREDGING, FORMERLY CLASSIFIED AS CAPITAL WORK, ADDITIONAL TUG CREWS FOR NEW TUG ACQUISITIONS, AND THE EXPANDED TRAINING PROGRAM.

THE $80.2 MILLION FOR TREATY PAYMENTS TO PANAMA IS COMPRISED OF A $10.0 MILLION FIXED ANNUITY PAYMENT, A $10.0 MILLION PAYMENT FOR PUBLIC SERVICES THAT PANAMA IS TO PERFORM, AND A $60.2 MILLION PAYMENT CALCULATED ON THE NET TONS TRANSITED.

OPERATION AS AN APPROPRIATED FUND AGENCY HAS PRESENTED FISCAL MANAGEMENT PROBLEMS SUCH AS THE NEED FOR MAINTAINING TWO ACCOUNTING SYSTEMS. SEVERAL UNBUDGETED REQUIREMENTS HAVE ARISEN WHICH MUST BE ABSORBED WITHIN THE EXISTING BUDGET AUTHORITY. THESE INCLUDE THE HEAVY AMOUNTS OF OVERTIME EXPENDED TO REDUCE THE SHIP BACKLOG, THE RECENT LABOR CONTRACT AGREEMENTS WITH CANAL PILOTS, EXTENSIVE REPAIRS AND MAINTENANCE AT THE LOCKS, AND FUEL COST ESCALATIONS.

A COLLECTIVE BARGAINING AGREEMENT WAS RECENTLY SIGNED BETWEEN THE COMMISSION AND THE CANAL PILOTS' UNION. ALTHOUGH MUCH WILL DEPEND ON THE DAY-TO-DAY SCHEDULING OF TRANSITS, THE

NUMBER OF QUALIFIED PILOTS AVAILABLE, AND FLUCTUATIONS IN CANAL TRAFFIC, OUR CURRENT ESTIMATES INDICATE THE COST INCREASE WILL RANGE FROM $3 TO $4 MILLION ANNUALLY.

THE RAPIDLY DETERIORATING CONDITION OF THE TOW TRACK SYSTEM AT THE LOCKS HAS CREATED THE NEED FOR UNPROGRAMMED MAINTENANCE EXPENDITURES IN 1981 AND 1982 OF APPROXIMATELY $2.4 MILLION AND $3.1 MILLION, RESPECTIVELY. THE TOW TRACK IS AN INTEGRAL PART OF THE CANAL LOCK TRANSIT SYSTEM AS THE TOWING LOCOMOTIVES THAT CENTER SHIPS IN THE LOCKS RUN ON THESE TRACKS. UNLESS THESE NEEDED REPAIRS ARE MADE, WE COULD BE FACED WITH SHUTDOWNS AND LANE OUTAGES SERIOUSLY IMPAIRING AND POSSIBLY HALTING THE TRANSIT OF SHIPS THROUGH THE CANAL.

WE ARE MAKING EVERY EFFORT TO ACCOMMODATE THESE UNPROGRAMMED EXPENDITURES WITHIN THE AUTHORIZED APPROPRIATIONS. THE POSSIBILITY EXISTS, HOWEVER, THAT THIS CANNOT BE DONE, AND A REQUEST FOR SUPPLEMENTAL APPROPRIATIONS WOULD BE REQUIRED.

ALSO OF AN OPERATIONAL NATURE, OUR CONTINUED OPERATION OF THE COMMISSION-OWNED FREIGHT VESSEL, SS CRISTOBAL, IS CURRENTLY BEING STUDIED. AS THE VOLUME OF TONNAGE MOVING ON THIS VESSEL HAS DECLINED SINCE TREATY IMPLEMENTATION, WE HAVE BEGUN TO QUESTION THE NEED FOR ITS CONTINUED OPERATION. WE ARE CURRENTLY NEGOTIATING WITH THE DEPARTMENT OF ARMY'S MILITARY TRAFFIC MANAGEMENT COMMAND (MTMC) ARRANGEMENTS TO TRANSPORT COMMISSION CARGO ON COMMERCIAL VESSELS CONTRACTED BY THE MILITARY SEALIFT COMMAND (MSC), DEPARTMENT OF THE NAVY. ALTHOUGH CURRENTLY BUDGETED FOR A FULL YEAR IN FISCAL YEAR 1982, CONTINUED OPERATION OF THE SS CRISTOBAL IS SUBJECT TO CHANGE SHOULD SATISFACTORY ARRANGEMENTS BE NEGOTIATED.

CAPITAL PROGRAM

THE CARTER ADMINISTRATION'S CAPITAL PROGRAM FOR THE COMMISSION REFLECTS $19.8 MILLION IN BUDGET AUTHORITY FOR 1982 AND IS DEDICATED PRIMARILY TO IMPROVE TRAFFIC CAPACITY AND

SAFETY AND EFFICIENCY IN OPERATIONS. ACCORDINGLY, $13.8 MILLION OF THAT AMOUNT WOULD BE APPLIED TO THE TRANSIT OPERATIONS FUNCTION.

THE SIGNIFICANT PROJECTS IN THE CARTER 1982 PROGRAM INCLUDE IMPROVEMENTS TO THE OPERATING CONTROLS OF THE DREDGE MINDI ($1.6 MILLION), REPLACEMENT OF LAUNCHES AND LAUNCH ENGINES ($1.5 MILLION), PROCUREMENT OF A DUMP SCOW ($1.8 MILLION), AND MISCELLANEOUS IMPROVEMENTS OR REPLACEMENTS TO THE DIVERSIFIED FLOATING EQUIPMENT FLEET ($1.5 MILLION).

THE ACCELERATION OF CERTAIN CAPITAL PROGRAMS, PREVIOUSLY DESCRIBED, INVOLVED RESCHEDULING $10.2 MILLION IN CAPITAL PROGRAMS FROM 1982 TO 1981--PROCUREMENT OF ONE TUGBOAT ($4.6 MILLION), THREE TOWING LOCOMOTIVES FOR THE LOCKS ($3.9 MILLION), AND CONSTRUCTION OF A VESSEL TIE-UP STATION NEAR PEDRO MIGUEL LOCKS ($1.7 MILLION). COUPLED WITH THIS ACTION, $2.2 MILLION IN OTHER CAPITAL PROJECTS WERE REPROGRAMMED FROM 1982 TO 1981, THUS ACCELERATING OUR LONG-RANGE CANAL CAPACITY IMPROVEMENT PROGRAM.

PANAMA CANAL COMMISSION FUND

THE PANAMA CANAL ACT OF 1979 PROVIDES THAT NO FUNDS MAY BE APPROPRIATED TO OR FOR THE USE OF THE COMMISSION FOR ANY FISCAL YEAR IN EXCESS OF THE REVENUE ESTIMATED FOR DEPOSIT IN THE PANAMA CANAL COMMISSION FUND DURING THE YEAR, PLUS PRIOR DEPOSITS TO THE FUND REMAINING UNEXPENDED AT THE BEGINNING OF SUCH YEAR. THE CARTER 1982 REQUEST IS IN COMPLIANCE WITH SUCH PROVISIONS OF THIS ACT.

THE OPERATING REVENUES TO BE DEPOSITED BY THE PANAMA CANAL COMMISSION INTO THE PANAMA CANAL COMMISSION FUND DURING FISCAL YEAR 1982 ARE ESTIMATED AT $438.1 MILLION OF WHICH $320.6 MILLION WILL COME FROM TOLLS AND $117.5 MILLION FROM OTHER SERVICES. WE FURTHER ESTIMATE THAT, IN ADDITION TO THE OPERATING REVENUE RECEIPTS, THE PANAMA CANAL COMMISSION WILL DEPOSIT INTO THE PANAMA CANAL COMMISSION FUND IN FISCAL YEAR

1982 CERTAIN OTHER FUNDS AMOUNTING TO $2.0 MILLION FOR OTHER MISCELLANEOUS COLLECTIONS SUCH AS SALES OF ASSETS AND PRIOR AGENCY RECEIVABLES COLLECTED. TOTAL DEPOSITS FOR FISCAL YEAR 1982 IN THE PANAMA CANAL COMMISSION FUND ARE THUS PROJECTED TO BE $440.1 MILLION. THIS, COUPLED WITH THE UNEXPENDED BALANCE OF THE FUND FROM FISCAL YEAR 1981 WILL EXCEED THE REQUESTED APPROPRIATION.

CANAL TRAFFIC AND TOLLS

THE CARTER BUDGET FOR FISCAL YEAR 1981 IS BASED ON A FORECAST OF OCEANGOING TRANSITS OF 13,850 FOR THE YEAR OR 37.9 DAILY AND TOLLS REVENUE OF $307.5 MILLION. FOR 1982, THE BUDGET PROJECTION IS FOR A 3.0 PERCENT INCREASE IN OCEANGOING TRANSITS, OR 14,260, WITH TOLLS REVENUES OF $320.6 MILLION.

OUR ESTIMATES OF NORTH SLOPE OIL MOVEMENTS IN THE CURRENT YEAR PROJECTED SHIPMENTS AVERAGING 500 THOUSAND BARRELS PER DAY. THE FORECAST FOR 1982 ASSUMES CONTINUATION OF THE 500 THOUSAND BARREL LEVEL PREDICTED FOR 1981, AS WELL AS A MODERATE RATE OF GROWTH FOR OTHER COMMODITY SHIPMENTS.

TOLLS REVENUES THROUGH THE FIRST FOUR MONTHS OF 1981 ARE SLIGHTLY ABOVE BUDGET TARGETS. ALTHOUGH TOLLS ASSOCIATED WITH THE NORTH SLOPE OIL SHIPMENTS WERE APPROXIMATELY $2 MILLION BELOW BUDGET TARGETS FOR THE PERIOD, TOLLS FOR OTHER TRAFFIC FOR THE SAME PERIOD WERE APPROXIMATELY $2.1 MILLION ABOVE BUDGET, THUS OFFSETTING THE NORTH SLOPE SHORTFALL.

TOTAL TRAFFIC AND TOLLS REVENUE DURING THE REMAINDER OF THE FISCAL YEAR ARE EXPECTED TO REMAIN NEAR BUDGET TARGETS.

CONCLUSION

DETAILED DESCRIPTIONS OF THE OPERATING AND CAPITAL PROGRAMS FOR THE COMMISSION FOR THE CARTER FISCAL YEAR 1982 BUDGET ARE INCLUDED IN THE JUSTIFICATION BOOKLET PREVIOUSLY FURNISHED TO THE COMMITTEE.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I SHALL BE PLEASED TO ANSWER ANY QUESTIONS THAT YOU OR OTHER MEMBERS OF THE COMMITTEE MAY HAVE.

FIRST YEAR OF OPERATION

Mr. McAULIFFE. The first year of operation under the Panama Canal Treaty, and the Panama Canal Act of 1979 has been a successful one by almost any standard. We realized an approximate 40-percent increase in tolls revenue between 1979 and 1980, and a 9-percent increase in net tonnage transited. This was a record performance.

VESSEL BACKLOG

A sizable backlog of vessels awaiting transit developed toward the end of the fiscal year, reaching a peak of 182 vessels in October 1980. This backlog was finally reduced to a normal level in mid-December. This heavy backlog emphasized to us the need to reevaluate our capital improvement programs. It was apparent that immediate action was needed to increase canal capacity.

As you are aware, Mr. Chairman, we have taken action to accelerate certain capital programs which will achieve this objective.

ORGANIZATIONAL CHANGES

Our mission to operate the Panama Canal efficiently and safely for the benefit of world commerce has remained essentially the same, although the operating environment has changed significantly. Despite various concerns to the contrary, the transition on October 1, 1979, was very smooth and orderly. There were no major disruptions in any of the canal activities.

The problems that did arise were met and dealt with efficiently and expeditiously. This was due primarily to the spirit of cooperation that has continued to prevail among the Panama Canal Commission, the U.S. military forces in Panama, the government of Panama, and of course our American Embassy in Panama.

PAYMENTS TO PANAMA

During the first year of operation, the year coinciding with fiscal year 1980, a total of $75 million in treaty related payments were made to the Republic of Panama. These payments were offset by $3.8 million for amounts overdue the Commission from the government of Panama.

Subject to audit by the U.S. General Accounting Office, an additional payment of approximately $2.7 million is due the Republic of Panama as required by the treaty. Commonly referred to as the contingency payment, it represents the excess of operating revenues over expenditures during fiscal year 1980. A request for a supplemental appropriation has been submitted to fund this treaty payment to Panama in fiscal year 1981.

PERSONNEL TURBULENCE

The personnel movements which occurred in October 1979 were substantial. Some 5,500 individuals were affected by involuntary separations, transfer of functions, resignations, retirements, internal reassignments, and grade changes. Prior to that, the uncertainties of the impending treaty were manifested in a relatively high rate of resignations and retirements.

In our first year under the treaty, the rate of resignations and retirements for U.S. citizens, those considered most vulnerable under the new treaty, has stabilized at an acceptable level.

We appear to have overcome the widespread personnel unrest that was faced in 1979. This does not mean that all our personnel problems have been resolved, for there persist pockets of employee dissatisfaction, hardship, and resultant low morale that demand continuing management attention.

The success of our first year of operation is testimony to our ability to retain and motivate the skilled work force necessary to operate the canal. The success in filling future skills and managerial requirements lies primarily with intensified training programs for Panamanians. We have a continuing strong commitment to training as the primary means of insuring the increased Panamanian participation in canal operations mandated by the treaty.

The morale and quality of life of the members of our work force continue to be a matter of major concern. As best we could, we have brought our influence to bear and have achieved a degree of success in resolving many of their concerns. We are continuing to strive for better living and working conditions for them and their families, American and Panamanian.

AGENCY REQUIREMENTS

The Carter administration appropriation covers an appropriation for the Panama Canal Commission in fiscal year 1982 totaling $425.0 million. This includes $405.2 million for operational requirements during the year and $19.8 million for capital equipment and construction to remain available until expended.

All funds authorized for appropriation to the Commission are to come from the Panama Canal Commission fund. This budget is being critically reviewed by the new administration and certain changes may emerge from that process. Those changes will be submitted for congressional consideration when the President submits the revised budget. The following comments, therefore, are supportive of the proposed budget now in possession of the committee.

OPERATING EXPENSES

The appropriation required for operating expenses in fiscal year 1982 is $405.2 million. The major cost components of this total are $197.0 million for personnel compensation, $80.2 million for treaty payments to Panama, $51.0 million for supplies and materials, and $16.7 million for liberalized retirement benefits.

Operation as an appropriated fund agency has presented numerous fiscal management problems for our unique organization. Several unbudgeted requirements have arisen which must be absorbed within the existing budget authority. These include the heavy amounts of overtime expended to reduce the ship backlog, the recent labor contract agreements with the canal pilots, extensive repair and maintenance at the locks, and fuel cost escalations.

We are making every effort to accommodate these unprogramed expenditures within the authorized appropriations. The possibility exists,

however, that this cannot be done and a request for supplemental appropriations would be required.

CAPITAL PROGRAM

The Carter administration's capital program for the Commission reflects $19.8 million in budget authority for 1982, and is dedicated primarily to improve traffic capacity and safety, and efficiency in operations. Accordingly, $13.8 million of that amount would be applied to the transit operations function.

The acceleration of certain capital programs, previously cited, involved rescheduling $10.2 million in capital programs from 1982 to 1981.

PANAMA CANAL COMMISSION FUND

The Panama Canal Act of 1979 provides that no funds may be appropriated to or for the use of the Commission for any fiscal year in excess of the revenue estimated for deposit in the Panama Canal Commission fund during the year, plus prior deposits to the fund remaining unexpended at the beginning of such year. The Carter 1982 request is in compliance with such provisions of this act.

Total deposits for fiscal year 1982 in the Panama Canal Commission fund are projected to be $440.1 million. This coupled with the unexpended balance of the fund for fiscal year 1981 will exceed the requested appropriation.

WORKLOAD

The Carter budget for fiscal year 1981 is based on a forecast of ocean-going transit of 13,850 for the year, or 37.9 transits daily, and tolls revenues of $307.5 million. For 1982, the budget projection is for a 3-percent increase in ocean-going transit, or 14,260 ships, with tolls revenues of $320.6 million.

Detailed descriptions of the operating and capital programs for the Commission for the Carter fiscal year 1982 budget are included in the justification booklet previously furnished to the committee.

1981 SUPPLEMENTAL APPROPRIATION

In addition, Mr. Chairman, the Panama Canal Agency requests supplemental appropriation totaling $28.9 million for fiscal year 1981. This is requested to establish an emergency fund of $25 million, to pay the Government of Panama $2.7 million based on the operating surplus of the Commission in fiscal year 1980, and to fund $1.2 million for pay raises granted in October 1980 to classified and related employees.

EMERGENCY FUND

The Panama Canal Act of 1979 authorized the establishment of the emergency fund. However, no appropriations have been made to that fund. The request for a $25 million appropriation for 1981 for the Panama Canal emergency fund is based on our current assessment of the amount that could be required immediately for additional expenditures over those appropriated, to defray emergency expenses, or to maintain continuous, efficient, and safe operation of the canal.

Factors considered in arriving at this amount were the cost of correcting landslides, removal of vessels obstructing the canal, cleanup of a major oil spill, and the potential for additional costs of increased canal traffic. Any funds expended from the account will be recovered, deposited in the Panama Canal Commission fund, and be available for appropriation to the emergency fund.

CONTINGENCY PAYMENT TO PANAMA

An amount of $2.7 million requested for payment to the Government of Panama arises from the fiscal year 1980 operations pursuant to paragraph 4(c) of article XIII of the Panama Canal Treaty of 1977, and section 1341 of the Panama Canal Act.

Paragraph 4(c) of article XIII provides for payment to Panama of an annual amount of up to $10 million to be paid from canal operating revenues, to the extent that such revenues exceed expenditures.

The Panama Canal Act of 1979 defines this surplus as being the operating margin offset by any losses incurred after October 1, 1979.

In fiscal year 1980, this operating margin was $2.7 million, and accordingly this amount is due Panama.

The Commission seeks to establish appropriation language concerning the payment to Panama under paragraph 4(c) of article XIII of the Panama Canal Treaty, to enable the Canal Agency to meet its commitment of payment no later than April 30 of each year. The annual amount, if earned, is subject to review and audit by the General Accounting Office.

PAY RAISE REQUIREMENT

There is $1.2 million requested to fund pay raises granted to classified and related employees in October 1980. This amount will supplement our regular operating appropriations, to cover the unabsorbed costs of the 9.1-percent pay raise granted to Federal employees last year.

COMMISSION FUND

The Panama Canal Act of 1979 provides that no funds may be appropriated to or for the use of the Commission for any fiscal year in excess of the revenues estimated for deposit in the Panama Canal Commission fund during the year, plus prior deposits to the fund remaining unexpended at the beginning of such year. The supplemental request for fiscal year 1981 is in compliance with such provisions of this act.

Mr. Chairman, that concludes my prepared remarks. I am prepared to respond to any questions the committee may have.

RELATIONSHIP WITH PANAMA

Senator ANDREWS. Mr. Administrator, I appreciate that opening statement.

How would you characterize the nature of our relations with Panama regarding the canal, to follow up just a little bit on what Senator Hollings brought out, and what you touched on in your opening statement?

What problems have you encountered in the last year?

Mr. McAULIFFE. Our relationship with Panama has been a very good one since the Commission was established, which of course started with the commencement of the treaty. I have found that the Panamanian authorities have never failed to cooperate on an issue that seemed to have any direct impact on the operation of the canal.

My sensing is that Panama takes as much pride in an effective operation of the canal as we do. It is a matter of national pride to them, and certainly that has been borne out by the facts.

I will have to say that there were grave misgivings about how this relationship would work at the beginning, and perhaps the one visible piece of evidence of that relationship, the joint police patrols, has convinced all of us who live and work in Panama, around the canal, that things are indeed working well, and that Panama is serious about wanting the situation to remain a favorable one.

JOINT POLICE PATROLS

When I mention the joint police patrols, I am talking about patrols of two individuals, one Panamanian and one member of the Commission civilian police or the U.S. military police. These teams that patrol in our housing areas, in and around our operating areas, and on some of the military bases, have impressed everyone with their courtesy and efficiency. It has really conveyed to the man on the street, so to speak, that the relationship is working well.

Senator ANDREWS. In other words, the feeling is abroad, in the area of the canal, and in Panama itself, that things are working out.

Mr. McAULIFFE. Yes, sir.

Senator ANDREWS. There is no breakdown in the authority that is needed to operate the canal safely. Everything is going along very smoothly.

Mr. McAULIFFE. That is correct.

Let me say that there are two additional factors that help. First of all, I have as a deputy, a very able Panamanian, Mr. Fernando Manfredo, and he helps to smooth the way when a particular issue pops up. The other is that we have, in accordance with the treaty, established certain coordinating mechanisms with the Panamanian government. These exist both on our Commission side and on the military side. These binational bodies handle all sorts of issues that come up, and they do it in an orderly way, and in a way that tries to avoid escalating these issues to the point of emergency or crisis.

CANAL CAPACITY

Senator ANDREWS. In your first year of operations, what you have just said is pretty well proved by the fact that the Commission has experienced record tonnage levels and continued increases in transits by large vessels.

So the bottom line, really, is transits. The more goods you move through that canal, the better utilization you are getting out of it.

Do you believe the capacity and the safety of the canal are going to be able to keep up with these trends?

Mr. MCAULIFFE. I do, sir. The biggest problem that I have at the present time is that of increasing the capacity of the canal, and keeping it modernized. It was with those objectives in mind that we went forward last year, late last year, with certain reprograming within our capital program, and requested a supplemental appropriation which was approved by the Congress for $10 million, which served to accelerate the procurement of certain capital equipment. These are all designed to give us an increase in the capacity of the canal.

I do not mean by that rebuilding the locks so that larger ships can go through. What I am saying is that the experience that we have acquired particularly in the last year, and the trend that has been evident in recent years, underscore the movement of larger beam ships through the canal, ships that are just barely able to fit into the lock chamber.

The number of these ships keeps increasing, and frankly we proved that we were not able to handle all that showed up for transit, which is one of the fundamental causes of the backlog of ships that I alluded to in my opening statement.

We have done many things to help us be better prepared for this in the future. First of all, our work force has settled down, and has successfully emerged from its shakedown. I believe that its efficiency of performance is much more improved than, say, 1½ or 2 years ago.

The other is that we have, through the contract that we have made with our canal pilots, improved the availability of pilots on a day-to-day basis to move ships through. When you are moving the big ships through, you are talking about using a high number of pilots everyday, as many as 80.

We have also put into effect on a test basis an advanced reservation system, which will permit ships that can predict when they are going to be arriving at the canal, to reserve a date to move through the canal. This can help us in future periods of backlog.

That, coupled with the acceleration of capital equipment, which we should start realizing toward the end of this calendar year and on in into 1982, should guarantee us a jump in our capacity of about five or six ships per day. There are many other projects that will help in this regard.

CAPITAL PROGRAM

Senator ANDREWS. You feel that the capital acquisitions that are in this budget now before us, approved by the OMB, give you the ability to meet this increased demand curve that we are talking about?

Mr. MCAULIFFE. Yes, sir.

Senator ANDREWS. Did the OMB go along with all of your requests?

Mr. MCAULIFFE. We don't know that yet, sir. Our budget is still being reviewed by the new administration. We have made this point to them.

Senator ANDREWS. Let me go back. The Carter budget for fiscal 1982 gives you the capital expenditures to meet this demand curve? There is no glitch between what you request as needed to take care of this increased traffic, and what the people in OMB under whatever administration are going to give you. Essentially, what is in the Carter budget, which is the only budget we have before the subcommittee, matched up with your requests as you saw the need to facilitate increased traffic flow?

Mr. MCAULIFFE. It did indeed, yes.

PANAMA CANAL COMMISSION FUND

Senator ANDREWS. Can you explain in some detail the operation of the Panama Canal Commission fund, and how it relates to your profit-and-loss accounting operation?

Under what circumstances are contingency payments made to Panama? Let's get on the record the funding that pays for these capital requests that you are making to increase the ability of the canal to handle the shipping.

Mr. MCAULIFFE. Yes, sir; first, on the Panama Canal Commission fund, it was established by the Panama Canal Act of 1979. It is a special fund. It is really a bookkeeping measure to account for the receipts that we acquire through the operation of the canal.

In another way, by separately listing these receipts, it provides not only to the management of the Commission, but to the administration, that is to say, the Department of Defense that monitors our activities, and to the appropriate committees of the Congress, it provides a means of measuring whether or not we are complying with the intent of the law that we not spend any more money than we acquire in revenues in operating the canal.

So this special fund is a measurement device that shows, for one thing, whether or not we are charging the U.S. taxpayer for the operation of the canal. Second, whether we are balancing our revenues with the appropriations, and that really is the fundamental thrust of the Panama Canal Commission fund as provided in the Panama Canal Act of 1979.

Senator ANDREWS. Has GAO approved the numbers and the budgeting procedure?

Mr. MCAULIFFE. Yes, sir; they approve the estimate of revenues that go in at the beginning of each year. Incidentally, our estimate of revenues for 1982 is currently in the General Accounting Office. We have reason to believe that it will emerge from the Comptroller General very shortly.

SELF-SUSTAINING BASIS

Senator ANDREWS. It is one of those standard-operating-procedure-type things.

There is a great deal of concern expressed in today's newspapers and television stories, and elsewhere, about impact on the budget. The fact is that the capital expenditures necessary to facilitate increased traffic through the canal, even though recommended by this subcommittee, and the full Appropriations Committee, and voted on by Congress, are not a levy against the taxpayers, but are paid out of transit charges levied on the shipping that goes through the canal.

Mr. MCAULIFFE. That is correct, Mr. Chairman.

Senator ANDREWS. So the shipping interests who are most interested in being able to facilitate their transfer, and not have these prolonged waits, are the ones who pay for the capital expenditures that are necessary to expedite their transits?

Mr. MCAULIFFE. That is correct. In developing a toll base, we take into account the amount of capital investment that will be needed for the years ahead, and the capital factor is worked into those tolls. But, fundamentally, the toll revenues, really the total revenues that the Commission receives, defray all of the operating costs of the Panama Canal and the capital investment that goes into the Panama Canal.

Senator ANDREWS. There are no taxpayer dollars going into the operation or capital expenditures of the Panama Canal.

Mr. MCAULIFFE. That is correct.

What I was alluding to before is, if we should ever reach a point where there are no funds left in this Panama Canal Commission fund, that is a red light indicating that we are dipping into taxpayers' money. We have an ample reserve there to preclude that now.

Senator ANDREWS. You were in better shape before you put that addendum on your original statement. Since you did, let me ask one further question.

Do you anticipate the expenditures getting to the point where there will have to be an infusion of dollars from the American taxpayers at any time in the near future?

Mr. MCAULIFFE. Sir, I do not.

EMERGENCY FUND

Senator ANDREWS. The Panama Canal Act of 1979 also authorized the establishment of the emergency fund. Can you describe the purpose of this emergency fund, and the factors you considered in arriving at the amount of $25 million in your supplemental budget request?

Mr. MCAULIFFE. Yes, sir; going back, the experience in operating the canal over the years has brought out the undeniable fact that from time to time an actual emergency or other event occurs that has been unforeseen by the management of the canal operation.

Let us say, a major landslide, a landslide that might take $10 to $20 million of dredging and construction work to restore the canal. So the old Panama Canal Company had a $40 million borrowing authority from the U.S. Treasury to help meet any such emergency.

The idea, then, of an emergency fund, which has been incorporated into the Panama Canal Act of 1979, actually is carried over from the experience of operating the canal in past years.

Senator ANDREWS. In other words, these are dollars taken from the toll revenues, and put off in a bank account in Panama for this type of emergency.

Mr. MCAULIFFE. The money never left the Treasury in the past. It could be borrowed against, and the former Panama Canal Company was obliged to restore those funds as soon thereafter as possible.

In our case, we are requesting an emergency fund. We would draw the money from the Panama Canal Commission fund, that is to say, the fund that contains the revenues that we have made from operating the canal. We would ask the Treasury to set that money aside, and we would draw upon that amount of $25 million only in the event it is needed.

Senator ANDREWS. Who gets the interest on the fund?

Mr. McAULIFFE. The Treasury, because the money never leaves the Treasury. The money would leave the Treasury only if we were to draw upon the emergency fund.

Senator ANDREWS. It is earmarked from your toll revenues.

Mr. McAULIFFE. That is correct.

Senator ANDREWS. Subject to an emergency draw by you without further appropriations.

REPLENISHMENT OF FUND

Mr. McAULIFFE. That is correct, sir. The concept is that we would restore those moneys back to the Commission fund from future revenues.

Senator ANDREWS. In other words, any future draw against the emergency fund would be replenished from your regular funds through the appropriations process.

Mr. McAULIFFE. That is correct.

Senator ANDREWS. But once we appropriate it, and set it up as the emergency fund, if you have an emergency you can draw it out without coming up for a supplemental appropriation or anything else. But to replenish that fund, you then have to go through the appropriations process.

It is very much like the Agriculture Credit Corporation, which handles all kinds of farm programs, it has to be replenished from time to time. In the meantime, they do not have to come back for a dollar add-in.

Mr. McAULIFFE. Yes, sir.

IMPACT ON CONTINGENCY PAYMENTS

Senator ANDREWS. What would be the effect of the use of the emergency fund on subsequent contingency payments?

Mr. McAULIFFE. If we were to draw down, let us say, $10 million from the emergency fund this year, fiscal year 1981, then that would mean that we have created an additional operating expense. Therefore, that expense would have to be taken into account as our profit and loss are computed at the end of the year.

Senator ANDREWS. Would that expense, for bookkeeping purposes, be entered at the time that it is expended out of the emergency fund, or at the time the appropriations process replenished the emergency fund?

Mr. McAULIFFE. It would be at the time that it is expended.

Senator ANDREWS. At the time that it is expended?

Mr. McAULIFFE. Yes, sir.

Senator ANDREWS. So the $25 million set aside for the emergency fund is not now, or will not be an expenditure against the Commission?

Mr. McAULIFFE. No, sir; only if we had to expend some of that money, let us say to remove a landslide or a blocking ship. Or, there is another aspect, if we should suddenly be faced with more traffic, which means that we normally have to hire on some temporary employees, thus increasing expenditures. If those increases are more than we can handle under our normal appropriations, then we would draw from the emergency fund to handle that as well. That is included in the concept for the emergency fund.

The $25 million, incidentally, represents our recommendation as to the size of the fund, and it is geared exactly toward experience in the past as to what we think might be the total requirements in any given year for emergency purposes.

ADDITIONAL QUESTIONS

Senator ANDREWS. Mr. Administrator, I have a number of additional questions, which I will submit, and you can answer for the record. I appreciate very much your coming up with your colleagues this morning, and making an excellent record for us.

In a sense, I am a little frustrated by the fact that we are not dealing with current budget estimates, but we will be able to put that back together without having you to come back up here.

Thank you so much for being here this morning.

Mr. MCAULIFFE. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

COMMODITY TRAFFIC

Senator Andrews: What are the principal commodities shipped through the Canal? Provide a chart for the record showing the principal commodity groups transiting the Canal as a percent of total cargo in Fiscal 1980.

Response:

Principal Commodity Groups
Transiting the Canal
Oceangoing Commercial Cargo
(thousands of long tons)

	FY 1980	
Commodity Groups	Tonnage	Percent
Petroleum and Products	47,385	28.3
Grains	30,364	18.2
Coal and Coke	17,008	10.2
Ores and Metals	11,542	6.9
Nitrates, Phosphates, Potash	9,796	5.9
All other	51,120	30.5
Total	167,215	100.0

TREATY AND PANAMA CANAL ACT

Question: Please summarize for the record the provisions of the Panama Canal Treaty of 1977 and the Panama Canal Act of 1979.

Response:

Panama Canal Treaty of 1977

In the Panama Canal Treaty of 1977 between the United States and the Republic of Panama, which entered into force on October 1979, the United States relinquished and Panama assumed jurisdiction over the Canal Zone. The treaty required the Panama Canal Company and Canal Zone Government (the two U.S. Government agencies which had operated the Canal and administered the Canal Zone since 1951) to cease operations and provided that the United States is to manage, operate and maintain the waterway until termination of the treaty at the end of the century by means of a new U.S. agency called the Panama Canal Commission. The primary responsibility to protect and defend the Canal during the life of the treaty is also vested by the treaty in the United States.

Increased Panama Participation

Although it is a U.S. Government agency, the Panama Canal Commission is required to be supervised by a binational board consisting of five U.S. and four Panamanian nationals. The treaty also provides that, until 1990, the agency head, whose title is Administrator, is to be a U.S. national and that his deputy is to be a Panamanian; after that date, the Administrator is to be a Panamanian national and the deputy, an American. Pursuant to the

treaty, the Commission must afford a hiring preference to Panamanians and follow a policy of rotating U.S. citizens hired after entry into force at a maximum of every five years. There must be a growing participation of Panamanians at all levels and areas of employment of the Commission.

Upon entry into force, the Panama Railroad, the ports of Balboa and Cristobal and many other areas and facilities previously owned by the United States were transferred by the treaty to Panama. In addition, the treaty requires the Commission to pay Panama (a) thirty cents per ton for each vessel transiting the Canal, (b) an annuity of $10 million and (c) to the extent that Commission operating revenues exceed expenditures, an additional amount of up to $10 million. The Commission is also to pay Panama $10 million per year for the latter's performance of public services (police and fire protection, street maintenance, cleaning and lighting, traffic management and garbage collection) in certain areas.

Jurisdiction

During a 30-month transition period which ends on March 31 of next year, the United States retains limited criminal jurisdiction over the U.S. citizen employees of the Commission and of the Department of Defense in Panama and their dependents. After that time, jurisdiction over offenses committed in Panama will reside solely in that country, although the treaty documents provide that the foregoing individuals are entitled to specified procedural protections if they are prosecuted for crimes by Panama. Installations owned or used by U.S. agencies operating in Panama pursuant to the treaty, along with their official archives and documents, are to be inviolable and criminal investigations in those locations by Panamanian authorities are to be conducted in accordance with procedures agreed upon by the two governments.

Special Treaty Provisions

The treaty also contains provisions dealing with political activity by Commission employees in Panama, protection of the environment, the flying of flags, the continuation of activities by commercial and non-profit activities which were in operation in the Canal Zone six months prior to the signing of the treaty, and the possibility of constructing a sea level canal and of adding a third lane of locks to the existing facility. Executive agreements which accompany the treaty contain arrangments concerning such subjects as --

+ Land use licensing;

+ Operation of the ports and railroad;

+ Housing for U.S. citizen employees of the Commission;

+ Water rights;

+ Acquisition by the Commission and the Department of Defense of Panamanian supplies and

+ Telecommunications;

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+ U.S. Government contractors;

+ Entry into and departure from Panama by Commission and Department of Defense employees;

+ Registration and licensing of vehicles and vessels;

+ Exemption from certain Panamanian taxes and import duties;

+ Intergovernmental and third party claims; and

+ Criminal jurisdiction.

Eligibility-Military Facilities

Although these agreements allow the military to operate commissaries, exchanges and post offices in Panama for the life of the treaty, U.S. citizen employees of the Commission and their dependents are given access to those facilities only until October 1, 1984. Those persons will, however, retain eligibility to use hospitals and schools (formerly operated by the Canal Zone Government and tranferred to the military on entry into force) throughout the treaty period.

Treaty Termination

The treaty and related agreements will terminate at noon, Panama time, on December 31, 1999, at which time the Canal and all real property and non-removable improvements owned by the United States and used for purposes of the treaty, and all equipment related to the management, operation and maintenance of the waterway, will become the property of the Republic of Panama.

Panama Canal Act of 1979

The Panama Canal Act of 1979, Public Law 96-70, which was approved on September 27, 1979 is the statute implementing the treaty. That law abolished the Panama Canal Company and Canal Zone Government and established the Panama Canal Commission as the agency which is to carry out the responsibilities of the United States with respect to the management, operation and maintenance of the Canal during the treaty period.

Oversight Authority

The Act vests oversight authority over the Commission in the Secretary of Defense and requires that official or his designee to serve on the agency's nine-man board. All board members are appointed by the President of the United States and the five U.S. citizens on that body, as well as the Administrator of the agency, are subject to Senate confirmation.

Under the statute, in the event of armed attack or when the President determines that the security of the Canal is threatened, the President may order the Administrator to comply with directives of the U.S. military officer charged with protection and defense of the waterway. The law specifically provides that the Commission is not subject to the direction or supervision of the American

Ambassador to Panama in matters respective the management, operation and maintenance of the Canal.

Personnel Matters

Although not addressed in the treaty document, the Act calls for there to be a Chief Engineer and an Ombudsman in the Commission. The duties of the former are to be prescribed by the President while the latter is to investigate complaints concerning administrative problems, inefficiencies and conflicts within U.S. agencies caused by implementation of the treaty and related agreements. Other provisions of the statute relating to Commission personnel include --

- an authorization to transfer or detail employees of other U.S. Government agencies to the Commission;

- an authorization to pay a cost of living allowance to U.S. citizen employees of the Commission after October 1, 1984 when their entitlement to military privileges ceases;

- the requirement that the President establish a Panama Canal Employment System in accordance with provisions of the treaty and applicable U.S. law;

- an authorization to pay a recruitment and retention differential to Commission employees who were on the rolls of a U.S. agency in the Canal Zone prior to October 1, 1979 and to those recruited after that date from off the Isthmus;

- the establishment of a minimum wage for persons employed by U.S. agencies in Panama after October 1, 1979 of $2.90 and the requirement of an annual increase of not less than two percent;

- the guarantee that the terms and conditions of employment of those persons who were employed by the Canal Zone Government or the Panama Canal Company prior to October 1, 1979 and who were transferred to the Commission or another U.S. Government agency in Panama will, in general, be no less favorable than they were prior to entry into force;

- the establishment of preferential placement and early retirement programs for persons employed by the Panama Canal and Canal Zone Company/Government prior to entry into force; and

- the application of title VII of the Civil Service Reform Act of 1978, dealing with labor relations, to the Commission and other U.S. agencies which operated in the Canal Zone prior to entry into force.

Changed Financial Structure

The Act establishes the Commission as an appropriated fund agency rather than as a Government corporation as the Panama Canal Company had been. While the Commission thus must operate on monies appropriated to it, the law authorized a $40 million emergency fund which the agency may use to defer emergency expenses and to insure the continuous, efficient and safe operation of the waterway if appropriations are insufficient for those purposes. The law requires the Commission to maintain its accounts in accordance with the Accounting and Auditing Act of 1950 and to submit annual financial statements and reports covering its operations to the President and the Congress. Audits of the Commission's financial transactions are required to be conducted by the Comptroller General at the close of each fiscal year.

The statute repeats the treaty requirements, discussed above, with respect to payments to Panama and provides for the Commission to reimburse the Department of Defense for educational and health care services provided by that agency to Commission employees and their dependents.

Commission Liability

In a chapter dealing with claims against the agency, the statute placed a $120,000 limit on the Commission's liability to pay for damage to vessels sustained outside the Canal locks and a $50,000 limit on non-vessel tort claims. The Commission is subject to suit only for vessel damage sustained while the ship is passing through the locks. Venue in such cases is vested in the U.S. District Court for the Eastern District of Louisiana. Investigation of vessel accidents by the Commission's Board of Local Inspectors is a prerequisite to the Commission's paying any claim for vessel damage.

The statute authorized the Secretary of State to convey to Panama the property required to be transferred by the treaty. For discretionary transfers, it imposes a requirement that Congress be advised 180 days before any property is conveyed to Panama.

Tolls

The President is vested by the statute with the authority to fix tolls for the use of the Canal as well as the rules governing the measurement of vessels. Toll rates must be set at levels calculated to produce revenues to cover, as nearly as practicable, all costs of maintaining and operating the Canal. The procedure which must be followed in changing toll rates and measurement rules is detailed in the law.

The law continues in effect such laws, regulations and administrative authority as are necessary for the exercise by the United States of its limited criminal jurisdiction during the transition period and removes the requirement, rendered a nullity by the treaty, that certain judicial and law enforcement officials reside in the Canal Zone.

The Act also has provisions dealing with transfer of prisoners, disinterment, transportation and reinterment of the remains of persons who, prior to October 1, 1979, were buried in a

cemetery which was transferred to Panama on entry into force, and an amendment to the Immigration and Nationality Act to allow certain classes of individuals to qualify as special immigrants to the United States. Finally, the statute tasks the President with the responsibility for presenting to the Congress by October 1, 1981 a request for legislation which would repeal what remains of the Canal Zone Code and statutes which are applicable only during the transition period and which contains provisions deemed necessary and appropriate in light of experience under the treaty as of that time.

MAJOR CANAL TRADE ROUTES

Question Also for the record, include a table showing the major trade routes in Canal traffic by tonnage in fiscal 1980?

Reponse:

Major Trade Routes in Canal Traffic
Fiscal Year 1980
(In thousands of tons)

Trade Route	Panama Canal Net Tons	Long Tons Cargo
East Coast United States-Asia	57,621	58,254
East Coast United States-West Coast Central America 1/	24,411	23,239
Europe-West Coast United States/Canada	15,164	15,505
East Coast United States-West Coast South America	14,715	11,752
Europe-West Coast South America	9,788	6,814
East Coast United States/Canada-Oceania	5,417	5,214
East Coast Canada-Asia	5,281	3,984
U.S. Intercoastal (Including Alaska and Hawaii)	4,995	5,251
West Indies-West Coast Central America	4,914	3,155
West Indies-West Coast South America	4,592	4,005
East Coast South America-Asia	3,346	3,438
Europe-Oceania	3,312	2,513
Subtotal	153,556	143,124
All other routes	28,507	24,091
Total	182,063	167,215

1/In Canal trade route statistics North Slope oil originating in Alaska is shown as transshipped cargo from Puerto Armuelles, Panama, if the vessel's voyage originated there.

WORKLOAD MEASUREMENTS

Question: With regards to workloads measurements provide figures for the record showing the number of tons transiting per dollar of expense over each of the last several years.

Response:

	Panama Canal Net tons Transiting	Total Net Operating Expenses 1/	Tons per Dollar of Expenses
		(In million)	
Panama Canal Commission 2/			
FY 1980	183.2	$290.7	.63
Panama Canal Company			
FY 1979	168.5	210.0	.80
FY 1978	157.6	180.1	.88
FY 1977	134.0	164.7	.81
FY 1976	128.5	142.3	.90

1/ Net operating expenses represent the total expenses less revenues from all sources other than tolls.

2/ Includes payment to the Republic of Panama.

DREDGING IN OPERATING EXPENSES

Question: Your in-house dredging effort on the Canal channel has previously been charged to capital expenses. Why are you proposing for Fiscal Year 1982 that it be charged against operation?

Response: It was previously considered that any dredging over and above that necessary to maintain the width and depth of the existing channel, even though piecemeal in nature, had the cumulative effect of increasing the Canal's capacity to handle greater numbers of ships and therefore met the accounting policy criteria calling for the capitalization of costs of "substantial" improvements. It has become evident, however, that the goal of current improvement dredging is no longer substantial increases in capacity, but instead greater safety and navigability for the larger ships now using the Canal in increasing numbers. Rather than increasing Canal capacity, this dredging is directed toward maintaining existing capacity, and on this basis these costs are being charged to operations.

OVERHAUL OF MIRAFLORES SWING BRIDGE

Question: You are requesting more than a four-fold increase in the cost of maintenance for the Miraflores swing bridge, which appears to be related to a major overhaul and rewiring scheduled for Fiscal 1982. To what extent do you expect this major overhaul will reduce maintenance costs in the future?

Response: This major overhaul will avoid costs for electrical maintenance and repairs in the future. Its intent is to maintain the bridge in a fully reliable operating condition. Annual recurring maintenance, such as repair and replacement of structural steel and painting of rusted areas, and other preventive maintenance work will not be affected by the overhaul.

TOUR GUIDE SERVICES

Question: On page 26 of your budget justifications, you request a 90% increase in the cost of tour guide, launch and pavilion maintenance. What is the rational for this?

Response: The increased requirement for the "tour guides, launch and pavilion maintenance" is attributable to cost escalation, a major overhaul of the tour launch Las Cruces and increased utilization of this launch over the level provided in FY 1981. The Las Cruces is a popular attraction which was curtailed somewhat in 1981 due to budgeting considerations. This activity provides on a limited basis, partial transit of the canal and affords the Agency the opportunity to orient the public in the U.S. role in the operation of the Canal.

ADMINISTRATIVE REVENUES

Question: Under Administrative and General Expenses, Executive Direction, your justifications show an 80% decrease in revenue derived from sales of publications and receipts for tour services. What is the reason for this? Explain the legislative history.

Response: Although in 1982 there will be a period of time in which the tour launch, Las Cruces, is out of service for overhaul, the increased number of tours planned in that year are now expected to generate additional revenues above the $7 thousand level.

The tour vessel and guide service was formerly operated by the Panama Canal Company and is an activity retained by the Panama Canal Commission. The 1981 and 1982 appropriation language specifically authorizes the continued operation of this activity.

Question: Does that also explain the 44% decrease in revenues related to your financial management activities, such as collection fees and safety deposit box rentals?

Response: The number of employees authorizing payroll deductions and renting safety deposit boxes has been greatly reduced with corresponding decreases in revenues.

MARINE TRAFFIC SURVEILLANCE

Question: Your capital budget includes a request of $1,054,000 for a radar installation at the Cristobal anchorage and closed-circuit television surveillance of selected portions of the waterway to be monitored at the Marine Traffic Control Center. Explain what scheduling and safety benefits you anticipate as a result of this capital expenditure, and tell us what effect it is likely to have on your future operating and maintenance costs.

Response: A traffic surveillance system is programmed for installation in 1982 and 1983. This project will enable Marine Traffic Control to monitor selected portions of the waterway.

This system will allow for more timely, accurate data on the position of ships thus enabling Marine Traffic Control to increase transit scheduling efficiency. Enhanced monitoring of towboats, dredges, launches, and other support equipment will also result in a more efficient operations.

This system will improve safety by providing a better means to coordinate vessels meeting in turns and other restricted areas of the channel. An additional safety benefit will be the ability to get advance knowledge of weather conditions in order to report them to pilots actually in transit.

The operating cost of the traffic surveillance system would be minimal primarily because the system (CCTV) does not require additional operating personnel since it is remotely controlled from the Marine Traffic Control Center. Because of the system, Canal operating cost could decrease through better allocation of resources resulting in: reduction of overtime, fuel saving, and better scheduling of tugboats and pilots.

REIMBURSEMENT FOR PUBLIC SERVICES

Question: The Treaty created a $10 million annuity payment to Panama and a $10 million annual payment for public services provided by Panama. Could you describe the nature of these services and explain the timing and procedures for re-evaluation of that payment in future years?

Response: As outlined in paragraph 5 of Article III of the Panama Canal Treaty of 1977, the Public Services provided to the Panama Canal Commission in the Canal operating areas and in the housing areas, by the Republic of Panama are police and fire protection, street maintenance, street lighting, street cleaning, traffic management and garbage collection.

Every three years, the costs involved in furnishing these services will be reexamined to determine whether adjustment of the annual payment should be made because of inflation and other relevant factors affecting the cost of such services. If an adjustment is determined to be needed for the prior 3-year period, either because the payment exceeded or was less than the actual costs to the Republic of Panama for providing these services, then the Panama Canal Commission shall deduct from or add to the payment required to be made to the Republic of Panama for each of the

following three years one-third of such excess or deficit, as the case may be.

RECOVERY OF LOSSES

Question: In FY 1981, you show an estimated loss of $6,874,000. How will that loss be made up in future years?

Response: Management measures are now being taken to reduce expenses, without affecting the Canal operations, and to absorb some of these higher costs through budget reprogramming. We will plan to recover any remaining FY 1981 net loss in subsequent fiscal years through prudent management action. According to the provisions of the Panama Canal Act, any loss incurred in a fiscal year is to be offset against subsequent year's operating margins before making the contingency payments to Panama of up to $10 million per year required by paragraph 4c of Article XIII of the Panama Canal Treaty of 1977.

SETTING OF TOLL RATES

Question: Would you explain in more general terms what determines your toll rates? What is the process for changes in rates?

Response: Toll rates are to be set to recover as nearly as practicable all costs of operating the canal and to provide its capital requirements. Costs are to include interest, depreciation in capital assets unrecovered operating losses of previous years, and the payments to Panama for public services and the annuities except for the payment contingent upon an excess of revenues over expenses established by paragraph 4c of Article XIII of the Panama Canal Treaty of 1977.

The process of changing tolls is prescribed by section 1604 of the Panama Canal Act of 1979. The requirements provide for a public announcement of the toll charge in the Federal Register and the release of an analysis showing the basis and justification followed by a public hearing at least 30 days after the announcement. After the hearing the Commission may revise the proposed change, however in the event a higher rate is proposed the change process must start over again. After the hearing the recommendations of the Commission are to be published in the Federal Register and the recommendation and a record of the proceeding is to be sent to the President for his consideration. The President may approve, disapprove or modify the recommendation. The toll rate prescribed by the President shall take effect not less than 30 days after its publication in the Federal Register. These actions to change toll rates are subject to judicial review.

RATES FOR COMMUNICATION SERVICES

Question: Are you still having problems with telephone service operations? What is the nature of those problems?

Response: Yes, we still have problems concerning communications services provided on behalf of Panama's communications agency (INTEL).

The main issues of controversy are our rates and the unilateral cancellation by INTEL of an agreement on trunk lines connecting the two communications systems. Progress is slow in resolving these problems.

The rates negotiations had been stalled for almost a year pending finalization of an Interservice Agreement for long-distance calls (IDD-International Direct Distance Dialing). This agreement has finally been signed, and two meetings have been held with INTEL to discuss the rates, including those for trunk line service. During the initial meeting, a special rates committee, comprising members of both parties, was formed to speed up the negotiations.

Since the last hearings, INTEL has taken over services to the Atlantic areas formerly served by PCC (Cristobal Port Area and Rainbow City) and is preparing to provide services to the Pacific areas (Balboa Port, Pedro Miguel and Paraiso) in the near future (probably by the end of calendar year 1981).

Due to the rates controversy, no payments for telephone services have been received from INTEL since October 1, 1979, the effective date of the treaty.

CHANGES IN APPROPRIATION LANGUAGE

Question: Provide for the record a detailed justification of the extensive change in the language of the Appropriations Act that you are requesting.

Response: The FY 1982 appropriation language differs from that of the 1981 Appropriations Act in that it: (1) provides for one appropriation to cover the funding requirements of the Commission, while the 1981 Act provided a separate appropriation for operations, and another for capital; (2) contains new language that would merge unexpended balances from the 1980 General Fund appropriation with amounts subsequently appropriated to the Commission from the Panama Canal Commission fund; (3) eliminates limitations on certain operating expenditures; (4) eliminates the capital project groupings, but retains overall limitation on total capital outlays; and (5) eliminates language providing for General Fund reimbursement and capital supplementals.

The first two changes were accomplished at the recommendation of the Office of Management and Budget. The combining and merging of two appropriations into one is intended to simplify accounting and control by the U.S. Treasury and OMB, without any diminution of the limitations imposed by the Congress.

The third and fourth changes, eliminating the limitations on certain Commission operating costs and capital categories, are proposed by the Commission. Certain of the limitations imposed in 1981 are considered potentially detrimental to the efficient operation of the waterway, others impact adversely on employees morale and still others, impose an undue administrative cost on the Commission which is not commensurate with the dollar amounts imvolved.

The fifth change reflects elimination of certain language unique to the 1981 operation of the Panama Canal.

PAY FOR PILOTS

Question: What is the average salary paid to your pilots? What is the maximum paid last year, including overtime? How do you account for this? Are pilots not subject to the Federal salary ceiling?

Response: The average pay for pilots in 1980 was $59,314. The maximun pay that year, including premium pay was $84,815.

The basic pay of Panama Canal pilots is limited by the Federal pay ceiling, and accordingly, they will not earn basic pay in excess of the established ceiling. Certain elements of pay for pilots are not subject to any ceiling and vary with the productivity of the pilot and the level of Canal traffic. Elements of premium pay not subject to the ceiling include overtime, Sunday and holiday pay, and the assignment bonus provided in the collective bargaining agreement with the pilots.

DEPARTMENT OF TRANSPORTATION

THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENT OF DAVID W. OBERLIN, ADMINISTRATOR

ACCOMPANIED BY:

WILLIAM H. KENNEDY, ASSOCIATE ADMINISTRATOR
FREDERICK A. BUSH, GENERAL COUNSEL
EDWARD MARGOSIAN, COMPTROLLER
ROBERT J. LEWIS, DIRECTOR, SYSTEMS AND ECONOMIC ANALYSIS
WILLIAM FITZGERALD, DEPUTY DIRECTOR OF BUDGET FOR THE OFFICE OF THE SECRETARY

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. Next we will have the presentation of the St. Lawrence Seaway Development Corporation by Mr. David Oberlin, the Administrator of the St. Lawrence Seaway Development Corporation, and his colleagues.

Even though I know how much grain we move through the Panama Canal from the Upper Midwest, barged down the Mississippi and out of the gulf coast ports, representing North Dakota I feel a whale of a lot more of my sunflowers go out by the way of the St. Lawrence Seaway than anything else. When we had that strike it really hurt quite a few of us who farm for our living in the Upper Midwest.

Mr. Oberlin, as before, we will be glad to have you introduce your colleagues who are with you, summarize your statement for the record, and highlight it. The statement will appear in full in the record, and then we will be glad to get to questions.

Mr. OBERLIN. Thank you, Mr. Chairman.

I would like to introduce at the table, starting from my left, Mr. Fitzgerald from the Department of Transportation; Mr. Margosian who is the Comptroller of the Seaway Corporation; Mr. Kennedy, who is the Associate Administrator and Resident Manager of the Seaway Corporation; Mr. Bush, General Counsel; and Mr. Lewis, who heads up our development group.

I am pleased to have this opportunity to talk to the committee.

SEAWAY OPERATIONS

The Seaway is generally thought of as being the navigation system that goes from the Great Lakes, from Duluth to the mouth of the ocean. However, specifically, the St. Lawrence Seaway technically is that portion of the system between Montreal and Lake Erie.

The improvements for navigation were constructed by the Seaway Development Corporation in the United States, and by the St. Lawrence Seaway Authority of Canada, and these two entities are respon-

sible for the operation, maintenance, and traffic control in the Seaway area.

I might say, parenthetically, it is different than the Panama Canal in that we cooperate very closely, but we are not jointly operating in the financial sense, but simply in an operational and regulatory sense, with Canada.

In the upper lakes, that is, between Lake Superior and Lake Huron, the responsibility for operations lies with other agencies, such as the Corps of Engineers and the Coast Guard.

Traffic on the Seaway is governed by regulations developed jointly by the two Seaway entities, and pays the toll under the joint United States-Canadian tariff of tolls which is negotiated between the two countries.

The charges levied on the cargoes traversing the Seaway are designed to recover the costs of operation. In addition to vessel traffic control, maintenance, and navigation aids, the Seaway Corporation operates Eisenhower and Snell locks and the Canadians operate five locks. The division of revenues from tolls between Canada and the United States is currently 29 percent to the United States and 71 percent to Canada. That is based on the relative investments of the two countries.

Because the navigation channel traverses the international boundary line frequently, it is impossible for traffic control to pass a ship back and forth. So the net result is that the Canadians control traffic in some U.S. waters, and we control traffic in some Canadian waters. So you can see that it is a very closely coordinated operation.

Because the major source of revenue is from cargo tolls, the volume of traffic is extremely important. During 1980 about 50 million metric tons moved through the Montreal to Lake Ontario section. The reduction in tonnage, approximately 10 percent less than the previous year, was a result of the general downturn of the economy, and the decreases in iron ore and steel.

Wheat exports, primarily from Canada, were responsible for a major increase in grain movements which were up by about 8 percent to about 27 million metric tons.

As you know, Mr. Chairman, we operate out of revenues. We earned last year approximately $10 million, and from that we paid all of our operating expenses, including some extraordinary lock maintenance, and made a $2 million payment to the Treasury to retire the bonds that were due. We not only have to pay our operating expenses, all our maintenance and all our capital improvements, but we also must make a payment back on the debt.

In previous years there have been problems getting ships out of the system. This year, the last ship got out on December 21. We have developed special procedures with Canada, and they are working very well, to give us maximum availability during the season as it now stands.

SEASON EXTENSION

Over the years we have been working very hard to extend the season, and we have done so by about 30 days in the last 10 years. There has been a winter navigation project, a multiagency project, which operated under a congressionally mandated program headed by the Corps of Engineers.

We developed what we think to be an environmentally sound procedure to continue navigation through an ice cover, however, our tests to finally determine this were blocked by the Department of Environment of the State of New York and the Governor, so we did not proceed.

We are continuing our own efforts within the limits of the funds available to extend the season. We need to model the river in hydraulic models to examine various alternatives of handling ice. We are continuing these programs. However, if we don't have the money, if we have a bad year, we have to cut back the program to fit the cloth. Like any family, if you haven't got the income, you can't do everything that you would like to do.

EISENHOWER LOCK

We have another problem with relation to our expenses, which relates to the continued need to put money into Eisenhower lock. The lock has had bad concrete for years, and we have over the last 2 years had to put in $1.0 to $1.5 million each year of our limited resources in order to maintain it. It looks like it is going to be another $12 to $15 million over the next 10 to 12 years to keep it in a structurally sound condition.

We don't have twin locks on the Seaway. If one lock in the chain goes down, the whole system goes down. So we have to keep the locks in good operating condition.

Senator ANDREWS. Is that the only lock in the system with poor concrete?

Mr. OBERLIN. To my knowledge; yes, sir.

Senator ANDREWS. Where were your predecessors when quality control on that lock was performed?

Mr. OBERLIN. There have been a number of investigations as to who did what to whom. The locks were built by the Corps of Engineers. The corps was the construction agent for the Corporation. The net result of all the investigations is that everyone agrees that the concrete is not very good. One of the contractors went bankrupt on the job, so there was no recovery from him.

This occurred over 20 years ago. The Corporation spent about $12 million during that 20 years trying to fix the lock, but there is continuing deterioration. It is rotten concrete, and we just have to keep plugging away to keep it in operating condition.

Senator ANDREWS. Actually, it was the corps' responsibility and lack of supervision, and then because the contractor went bankrupt there was no way to proceed against the contractor.

Mr. OBERLIN. There was also a major problem regarding specifications. So we are taking the lumps.

Mr. BUSH. The question was whether the Government's design specifications, and its overall supervision were in some way at fault, which would remove the possibility of a successful lawsuit. The determination was made not to pursue it.

Senator ANDREWS. Was it a design problem, rather than in the concrete?

Mr. BUSH. The specifications for the concrete that were subsequently used by the contractor were proven, after the fact, to be the wrong specification. In fact, specifications were changed for future lock construction after the experience with the Eisenhower lock.

Senator ANDREWS. But the contractor was supplying the concrete to the specifications?

Mr. BUSH. He put in the concrete apparently to the specification, the aggregate size.

Mr. OBERLIN. They used natural cement, instead of portland cement, which was apparently not correct. It was dead natural cement. It didn't have sufficient strength. I think the contractor, however, did go bankrupt. Perhaps it was not as a result of this contract.

It was a mess when I first came on the job 10 years ago. I attempted to get to the bottom of it. I worked very hard with the corps, and the lawyers, and the result was that there really was nothing that could be done except fix the lock, and that is what we are doing.

LOCK MAINTENANCE

Senator ANDREWS. In the fixing, you have to take out whole wall sections, and replace whole wall sections?

Mr. OBERLIN. Yes, sir.

Senator ANDREWS. You can't do any patching job?

Mr. OBERLIN. In order to keep our expenses down, we do much of the maintenance work ourselves. We hire temporary employees, and we use our employees in the winter to take out whole sections of concrete, and pour in new concrete. Even when that is done in some cases, you could have a foot or two of new concrete on the face, and then it will still deteriorate back because the water comes in from the back.

We have hired an engineering firm to review the situation again, and their report is due. Their preliminary report is in. We believe that there really is no alternative but to continue to do what we are doing. They substantiate that in general.

The bottom line is that we have had to take $1 to $1.5 million each year that we would like to use for improvements, and just use it to maintain the status quo.

Senator ANDREWS. Have you brought about a schedule of rehabilitation of that lock? Do you have an orderly process, or do you just fix it when it happens? Do you have a schedule of taking out *x* number of feet of wall each winter, let us say, and replacing it?

Mr. OBERLIN. Yes; Mr. Kennedy is in charge of that operation, and perhaps he would like to make a brief comment on it.

Mr. KENNEDY. We have a very orderly program on what we plan to do year by year, and for the next 5 years. However, that is always subject to review each winter when we shut the locks down and get them dewatered, and find out what new deterioration has taken place during the operating season. Frequently, we get some surprises.

We plan the regular schedule of work by each winter taking a series of core samples. We take cores deep into the concrete. We examine those cores. The cores are brought out from the locks, and we find out where the poor cement is, and based on the core work we do this year, we may make a change to what we already have programed for next year.

Senator ANDREWS. At what point in time do we have the locks essentially reconstructed? Is it a 5-year rehabilitation, or a 10-year rehabilitation?

Mr. OBERLIN. I don't think that it ever occurs, Mr. Chairman. I am sorry to say, as I indicated just a moment ago, while we can make progress and get ahead of the game in terms of a few years, even if you have on the front of the locks solid concrete, the moisture can come in from the back, from many feet behind, and the concrete can continue to deteriorate.

We don't really know, and the engineers—we have had highway engineers and a lot of consultants on this—don't know the rate of deterioration. But we know that as long as we keep patching the concrete at the front, that we can maintain the integrity of the locks, because what is behind it may be rubble and sand, but it is still a monolithic structure, so that it will not affect the integrity. But it just keeps deteriorating, and all we can do is keep ahead of it.

CONCRETE REPLACEMENT

Senator ANDREWS. But the new concrete that you put in doesn't deteriorate?

Mr. OBERLIN. No; it doesn't, but sometimes we have difficulty bonding it.

Mr. KENNEDY. The original concrete is just straight monolithic concrete. There is no reinforcement. The areas that we remove and replace are replaced with reinforced concrete. We drill holes deep into the concrete, and put rock bolts in, which is the standard form of bolts used in mining construction. These are deep into the lock, into the wall, and the reinforcement steel is welded to these rock bolts which are deeply imbedded.

So, basically, what we are attempting to do is to form a girdle of good solid concrete around the rubble that is inside, and that girdle would be of sufficient depth and strength with the reinforcement that it will maintain the structural integrity.

We feel that within 15 years, at the rate we are going, we will be doing a pretty good job, and hopefully after that time we will have only minor repairs, but there is no guarantee of that.

Senator ANDREWS. But the concrete facing you are putting on is sufficiently thick, and of sufficient strength, so that it in and of itself can carry the stresses?

Mr. KENNEDY. To date that has been true, and we continue to test the new concrete by taking core samples through the new concrete into the old concrete to check the bond between the new and the old, and to examine the strength of the new concrete, because some of this new concrete now is 7 or 8 years old.

Senator ANDREWS. But the new concrete was put in properly?

Mr. KENNEDY. Yes; and it is standing up very, very well.

Senator ANDREWS. What thickness do you need to stand those stresses; 3, 2, 5 feet?

Mr. KENNEDY. It varies from 18 inches to 3 feet generally. Again, we determine that by taking out the deteriorated concrete until we get back to where we find some reasonably sound concrete which, is examined on the spot and is determined to be sound enough to hold the rock bolts that we are putting into it.

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Senator ANDREWS. Then you say that that is going to deteriorate, too.

Mr. KENNEDY. Our experience to date has been that we are not worried too much about that as long as we have that good girdle around the rubble.

Mr. OBERLIN. There are always some questions as to the integrity of the concrete back of the solid concrete.

Senator ANDREWS. I recognize that, and that is why I came up with the question. If you were building a modern lock there, and 2 feet of reinforced concrete would hold it, then you put 2 feet in and to heck with what you have behind. It doesn't make any difference what happens to the old concrete.

Mr. KENNEDY. That has been generally the experience.

Senator ANDREWS. So in 15 years the expenditures will, in a sense, come to an end, and you will have a maintenance budget as though the lock had been constructed properly in the first place?

Mr. OBERLIN. I would hope that that would be the case.

Senator ANDREWS. Go ahead, Mr. Oberlin.

Mr. OBERLIN. As I mentioned a little earlier, Mr. Chairman, when the revenues are insufficient to meet all of our needs, it is necessary that we have to reallocate funds from our improvements program to this extraordinary lock maintenance.

Obviously, needed equipment replacements and other projects can't take a backseat to maintenance forever, and the financing needs have to be taken into account during our toll negotiation.

ADMINISTRATION BUILDING FIRE

Another extraordinary expenditure that we face this year was the fact that our administration building in Massena, N.Y., was virtually destroyed by fire. It is about a $3 million loss. It was obviously from arson. The FBI, the State police, and the local police, and everyone have been investigating it, but to date there has been no disclosure as to responsible parties.

BUDGET ESTIMATES

Mr. Chairman, our budget estimates indicate that our revenues for 1982 should be about $11.6 million. We plan to apply these, depending on revenues, to the following programs: Operational and administrative, $9.9 million; replacements and improvements, $1.7 million; and $2 million in revenue bonds to be redeemed.

We don't project revenues to be sufficient at the present toll level, and we propose to utilize $1.5 million from our existing balances, and $500,000 of unused borrowing authority, if we do not have an increase in toll revenues as a result of either higher tonnages, or a new toll level.

TOLL NEGOTIATIONS

The current toll agreement with Canada expired, and we will be discussing new toll levels with them this year. Like all businesses, the Corporation and the Seaway Authority have been faced with inflation. The Canadians and the Seaway Corporation both have a problem with their cash flow position. Unless there is a substantial increase in tonnage, and it means that the economy would have to pick up substan-

tially if last year was any measure, the cash flow position may not improve and we may have to make a midyear toll increase this year.

The Corporation originally budgeted $2.5 million to pay back our debt, but since that time the Corporation and the Treasury have agreed to restructuring administratively the bond payments to $2 million instead of $2.5 million. So for the period from 1982 to 1986 that we will negotiate on our toll schedule, we will have only a $2 million repayment required. This will enable us to bring the U.S. debt repayment closer to that required in Canada, and would help us to have only a fair rate of increase on tolls instead of a substantial increase on tolls.

The administrative program reflects an increase of only $87,000 for annualization costs. The operating budget is $8.3 million, an increase from $6.8 million. The $1.5 million is basically for maintenance work, wage grade adjustments, and so forth.

Our replacement and improvements are estimated at $1.7 million. These are used for such things as ice flushing ports for season extension, replacement and improvement of lock operating equipment, such as electrical equipment, ice control model designs, and other season extension activities.

Mr. Chairman, in spite of the difficulties over the past year, I continue to believe that the U.S. part of the Seaway system has been operated in a prudent, efficient, and businesslike manner. Our charter is to live within our income. We have done this successfully for 10 years, and we will continue to operate in this fashion while providing a vital transportation artery to the economy of the Midwestern region.

Thank you.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be put in the record in its entirety at this point.

[The statement follows:]

STATEMENT OF DAVID W. OBERLIN

I am pleased to appear before your committee to present the Saint Lawrence Seaway Development Corporation's Fiscal Year 1982 budget estimates.

1980 Navigation Season

During 1980, about 50 million metric tons of cargo moved through the Montreal to Lake Ontario section of the Seaway system. The reduction in tonnage, approximately 10% less than moved in 1979, resulted from the general downturn in the economy. Decreases in iron ore and steel movements were the most significant. These were the result of lower steel and automotive production. This reduction is offset to some extent by increases in grain movements which climbed by 8 percent to almost 27 million metric tons, the second highest grain shipping year in the Seaway history. Wheat exports, primarily from Canada, were responsible for the increase. U. S. grain shipments registered decreases primarily in corn and soybeans, no doubt, due in large measure to the U. S. grain embargo.

As you know, the Seaway Corporation must operate out of revenues. It receives no appropriated funds. Even though shipping was down in 1980, the Corporation still earned approximately $10.0 million in revenues, paid all of its operating expenses, including extraordinary lock maintenance. The Corporation also made a $2.0 million payment to the U. S. Treasury to retire bonds due.

1980 Closing

In previous years there have been problems getting ships to leave on time at the end of the season for a safe and orderly closing. The 1980 closing was the most orderly to date, due at least in part to the joint regulations of the Seaway Corporation and the St. Lawrence Seaway Authority of Canada which have special procedures for the closing of the navigation season. The last ship transited the U. S. locks on December 21, 1980.

Navigation Season Extension

For a number of years, the Corporation has undertaken efforts to extend the navigation season especially in the St. Lawrence River area. In recent years virtually every attempt to make substantive progress has been blocked by environmental and power interests. The Corporation has been a member of a multi-agency Winter Navigation Board which conducted winter demonstrations in the entire Seaway system under a Congressionally mandated program funded through the Corps of Engineers. Under this program we developed what we believe to be an effective, environmentally sound procedure for the continuation of commercial navigation through a solid ice cover. However, efforts to conduct real one-time tests in the St. Lawrence were blocked by the Department of Environment in the State of New York and by the Governor of New York.

During 1980, the Corporation continued its effort to design models in order to be prepared for actual modeling of critical reaches of the river. These hydraulic models will eventually provide the necessary technical information for the construction of ice control structures which would permit an extended navigation season. However, due to our lowered income last year it was necessary to severely curtail much of the planned work on season extension projects.

Condition of Locks

For the third year in a row, the Seaway Corporation is currently engaged in a greatly expanded winter maintenance program on our locks. As reported last year, we retained an engineering firm to give us a report on the condition of our locks and our overall maintenance needs. The final report, which is due within a few weeks, confirms our internal preliminary findings that increased structural repair and maintenance is needed to maintain the integrity of the locks and machinery. Our maintenance and repair program is now approximately double what it was four years ago, and our plans are to continue at this level for the foreseeable future. Whenever revenues are insufficient to meet all of our needs, it is necessary for us to reallocate funds from our replacements and improvements program in order to do extraordinary lock maintenance. Obviously, needed equipment replacements and other projects cannot take a back seat to maintenance forever. This financing need will be taken into consideration in the upcoming toll negotiations.

Administration Building Fire

On August 30, 1980, the Corporation's Administration Building, in Massena, New York, was virtually destroyed by fire. The building housed most of our administrative, procurement, engineering, finance and legal personnel. Temporary offices were quickly set up in trailers along side the building and, as a result of the outstanding efforts of our Massena employees, there was no interruption in our operations or administration even though the work was done under difficult day-to-day conditions. We estimate the total costs to the Corporation, including reconstruction, relocation, and other extraordinary expenses will be about $3 million. We, of course, will not be able to finance these expenditures out of revenues and will be using a part of our remaining $6.2 million in borrowing authority for this purpose, issuing new bonds to meet this extraordinary expense.

Budget Estimates

Mr. Chairman, our forecast for FY 1982 indicates that revenues should be about $11.6 million. We plan to apply these revenues to the following programs: operational and administrative expenses of $9.9 million, replacements and improvements of $1.7 million, and $2.0 million in revenue bonds to be redeemed. Since we do not project sufficient revenues to be available to meet these expenses, we propose to utilize $1.5 million from our existing balances and $0.5 million of our unused borrowing authority. Obviously, if income is higher than projected as a result of either increased tonnages or the assessment of a higher toll during the 1982 navigation season, borrowing would not be necessary.

Toll Discussions

The current toll agreement with Canada expires at the end of the 1981 shipping season and we will be discussing a new toll level with them this year. The Corporation, like all businesses, has been faced with increased costs due to inflation as well as extraordinary maintenance costs and it needs increased revenues. The Canadian Seaway Authority is in a similar shortfall position with respect to their income versus expenses.

Debt Repayment

The Corporation originally budgeted $2.5 million to be applied against its debt for FY 1982. Since that time, the Corporation and the Treasury Department have agreed to an administrative restructuring of the bond repayment schedule to $2.0 million for the period FY 1982 through FY 1986, the years

to be included in the newly negotiated toll schedule. This will allow the Corporation to keep the toll levels to be established this year to a fair rate of increase and to bring U. S. debt repayment closer to the level of return achieved by Canada on its Seaway investment.

Administrative Expenses (Limitation)

The Administrative Expenses Program (Limitation) reflects an increase from $1.5 million in 1981 to $1.6 million in 1982. This increase represents annualization costs, within grades, and increased cost of supplies and services. It does not include any provision for pay increases.

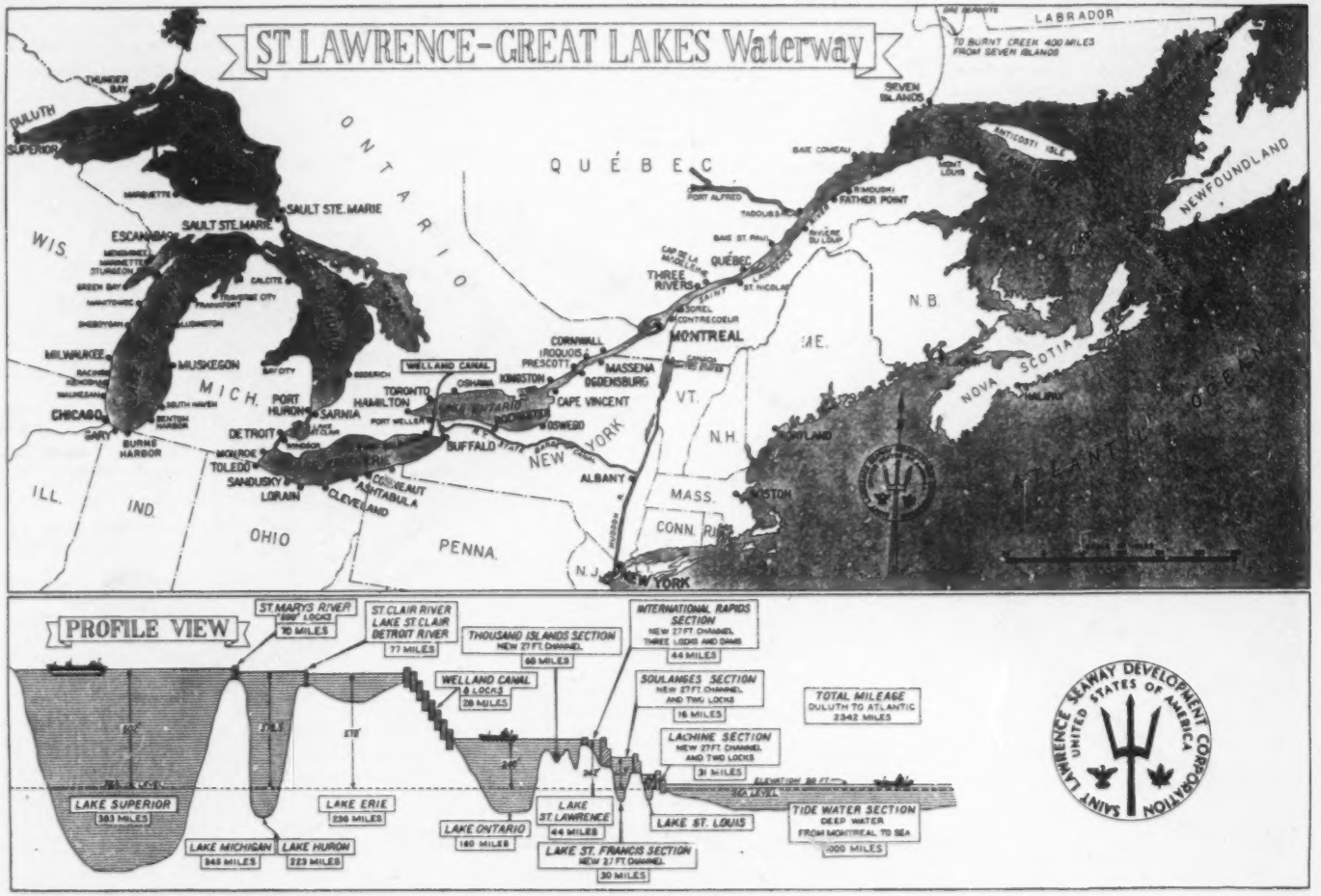
Operations Estimates

The Corporation's operations program consists of vessel traffic control, marine and lock operations, maintenance, operational planning and development, engineering and other activities related to the operation, maintenance and development of the St. Lawrence Seaway system. To perform these functions our operations program is estimated at $8.3 million for Fiscal Year 1982, an increase from $6.8 million in Fiscal Year 1981. This increase represents $1.5 million to fund additional maintenance work, wage grade annual pay adjustment, and annualization costs.

Replacements and Improvements Estimates

The Corporation's replacements and improvements program is estimated at $1.7 million for Fiscal Year 1982. The funds will be used as available for equipment replacements and for such capital investments as installation of ice flushing ports, replacement and improvement of lock operating consoles, continued conversion to solar power of navigation aid lights, ice control model design studies, and other season extension activities.

Mr. Chairman, in spite of our difficulties over the past year, we believe the U. S. part of the Seaway system has been operated in a prudent, efficient and business like manner. Since our charter is to live within our income, we will continue to operate in this fashion while providing a vital transportation artery to the economy of the region. I would be pleased to answer the Committee's questions.


ST LAWRENCE-GREAT LAKES Waterway
LABRADOR
TO BURNT CREEK 400 MILES FROM SEVEN ISLANDS
SEVEN ISLANDS
ANTICOSTI ISLE
NEWFOUNDLAND
FATHER POINT
QUÉBEC
THREE RIVERS
MONTREAL
N.B.
ME.
NOVA SCOTIA
ATLANTIC OCEAN
ONTARIO
WIS.
MICH.
ILL.
IND.
OHIO
PENNA.
N.Y.
VT.
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MASS.
CONN.
N.J.
NEW YORK
DULUTH
SUPERIOR
THUNDER BAY
SAULT STE. MARIE
ESCANABA
MILWAUKEE
CHICAGO
GARY
MUSKEGON
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SARNIA
DETROIT
TOLEDO
SANDUSKY
LORAIN
CLEVELAND
ASHTABULA
CONNEAUT
BUFFALO
TORONTO
HAMILTON
WELLAND CANAL
KINGSTON
OSWEGO
CAPE VINCENT
MASSENA
OGDENSBURG
CORNWALL
IROQUOIS
PRESCOTT
ALBANY
BOSTON
PROFILE VIEW
ST. MARYS RIVER
1 SOO LOCKS
70 MILES
ST. CLAIR RIVER
LAKE ST. CLAIR
DETROIT RIVER
77 MILES
THOUSAND ISLANDS SECTION
NEW 27 FT. CHANNEL
68 MILES
WELLAND CANAL
8 LOCKS
28 MILES
INTERNATIONAL RAPIDS SECTION
NEW 27 FT. CHANNEL
THREE LOCKS AND DAMS
44 MILES
SOULANGES SECTION
NEW 27 FT. CHANNEL
AND TWO LOCKS
16 MILES
LACHINE SECTION
NEW 27 FT. CHANNEL
AND TWO LOCKS
31 MILES
TOTAL MILEAGE
DULUTH TO ATLANTIC
2342 MILES
LAKE SUPERIOR
383 MILES
LAKE MICHIGAN
345 MILES
LAKE HURON
223 MILES
LAKE ERIE
236 MILES
LAKE ONTARIO
180 MILES
LAKE ST. LAWRENCE
44 MILES
LAKE ST. FRANCIS SECTION
NEW 27 FT. CHANNEL
30 MILES
LAKE ST. LOUIS
TIDE WATER SECTION
DEEP WATER
FROM MONTREAL TO SEA
ELEVATION 80 FT.
SEA LEVEL
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
UNITED STATES OF AMERICA

St. Lawrence Seaway System

Welland Canal

Locks: Eight lifts, 326'; size of ea. lock 800' x 80'; 3 twinned & 5 single Canadian locks.

1979 Cargo Total: 66.1 million tons

1980/81 Tolls:
$ .50/ton general cargo & .31/ton for all other cargo classes
.07/gross. reg. ton/vessel

1979 Toll Income:
Canada – $21.3 million

Sault Ste. Marie (SUO) Locks

Locks: One lift, 20'; 4 parallel locks (largest: 1200' x 110'; smallest: 800' x 80'); operated by U.S. Army Corps of Engineers.

1979 Cargo Total: 98.7 mill. tons

No Tolls

Locks in Montreal to Lake Ontario Section

Locks: Seven lifts, 246'; size of ea. lock 800' x 80'; 2 U.S. locks near Massena, N.Y. and 5 Canadian locks – one near Ogdensburg, N.Y. & 4 near Montreal.

1979 Cargo Total: 55.3 million tons

1980/81 Tolls:
$ .68/ton bulk & container cargo
.41/ton gov't. aid cargo & grain
1.65/ton general cargo
.07/gross reg. ton/vessel

1979 Toll Income:
Canada – $26.1 mill. (71% share)
U.S. – $10.6 mill. (29% share)

Combined Montreal—Lake Erie Section

Locks: 15 lifts, 572'

1980/81 Tolls:
$ .99/ton bulk & container cargo
.72/ton gov't. aid cargo & grain
2.15/ton general cargo
.14/gross reg. ton/vessel

Section operated jointly by the Saint Lawrence Seaway Development Corporation & the St. Lawrence Seaway Authority of Canada.

Mileages:
Duluth to Sault Ste. Marie -- 394
Sault Ste. Marie to Port Huron, Mich. -- 269
Port Huron to Welland Canal -- 575
Welland Canal to Clayton, N.Y. -- 186
Clayton to Montreal, Canada -- 189
Montreal to Gulf of St. Lawrence -- 425
Duluth to Atlantic Ocean -- 2,342

Note: All tonnage reflected in metric tons.

U.S. Department of Transportation
Saint Lawrence Seaway Development Corporation, 6/80

SEAWAY CAPACITY

Senator ANDREWS. Mr. Administrator, you pointed out that you might have to go for a toll increase because you are not getting adequate volumes. Increased use of the Seaway has always been one of your goals. You also pointed out earlier in your statement that you are trying to extend the navigation season.

My friends tell me that the Port of Duluth-Superior was only loading boats about one-third of the time this summer because there weren't enough boats coming up. You have the capacity during the normal shipping season to run quite a few additional ships through, don't you?

Mr. OBERLIN. The number of ships available, Mr. Chairman, is a function of the economics in world trade. Let me see if I can explain why this particular season——

Senator ANDREWS. Let's get back to the first thing. You have a lot more capacity during the normal shipping season than is being utilized.

Mr. OBERLIN. Only in a bad year. We have a joint study going on with Canada right now as to our capacity. They anticipate that their Welland Canal will be saturated before the end of this decade, and that means long queues and increased costs for operation.

Senator ANDREWS. But this summer you were not at capacity?

Mr. OBERLIN. No; this summer, we were not at capacity, that is correct.

GRAIN EMBARGO

Senator ANDREWS. Because of the Russian wheat embargo? Or was it because of the lack of smaller ships that could come up the Seaway? The lack of smaller ships was because the Russian wheat embargo removed the opportunity to ship to Russia with our larger cargo vessels out of gulf ports, or the bigger ports. Therefore, the Russians went into the world grain market with smaller boats, shorting the supply of smaller ships, and we didn't have enough to run the Saint Lawrence Seaway efficiently.

Mr. OBERLIN. That is correct.

Senator ANDREWS. Now you are faced with the possibility of increasing the tolls, which will again be a charge against the exports of our grain. And it is brought about by the shortage of traffic that was brought about because of embargo on the export of grain.

Mr. OBERLIN. That is true, in part. Of course, part of the reason for the increase in tolls is the fact that we have had inflation on our costs like everyone else. We hope to hold any toll increase to a reasonable level. It certainly will be nothing like the last toll increase.

Senator ANDREWS. But the point is that you could have accommodated in the normal shipping season what percentage of additional grain vessels, or other vessels? Is it 50, 75, or 100 percent?

Mr. LEWIS. It would be more in the area of 15 percent.

Senator ANDREWS. You mean your shipments on the Saint Lawrence Seaway this year were only down 15 percent over last year?

Mr. LEWIS. No; this is in terms of additional vessels that could have been handled at the Welland Canal.

Senator ANDREWS. What was your shipping down this year over last year?

Mr. LEWIS. Ocean vessels, in total, were down 7 to 10 percent, I would say, in that area.

Senator ANDREWS. Over the last year?

Mr. LEWIS. Yes, sir.

Senator ANDREWS. How much additional capacity do you have? The Canadians say that their Welland Canal is really the stopper in the bottle, so to speak, and that will not have reached its capacity until the end of this decade. Therefore, you must have considerably more capacity than you used last year.

Mr. LEWIS. There is additional capacity, but we do have to consider that transit of vessels in ballast are using up lock capacity all the time, and this is one of the problems for us this year, because we had a great number of additional transits of vessels that are simply not hauling any cargo. They are having to come through empty on one leg because of the lack of iron ore or steel cargoes.

Senator ANDREWS. But they don't run back and forth in ballast.

Mr. LEWIS. No; one way, whereas normally they are running both ways laden. That is part of the problem. The ocean vessels in the past would be coming in with a great deal of steel cargo, and they simply have not this year. They are coming in in ballast, and going out with grain.

Senator ANDREWS. You don't charge them transit fees when they come in ballast?

Mr. LEWIS. It is on the registered tonnage of the vessel only, so it is a fairly minor charge.

Mr. OBERLIN. That is one of the things that we will probably do, Mr. Chairman, in future years, readjusting the tolls to encourage larger vessels, and to recover more costs from vessels that are in ballast.

Senator ANDREWS. You could, by using larger vessels, increase the capacity of the Seaway.

Mr. OBERLIN. Yes, sir; and that has been the trend over the years. The lockages have not gone up nearly as much as the size of the vessels.

SEASON EXTENSION

Senator ANDREWS. In your testimony you referred to problems you were encountering with the State of New York regarding season extension. What are New York's specific objections to your proposal, and how are you answering them?

Do you get similar objections from other States, and other organizations?

Mr. OBERLIN. Let me just say categorically from a summary point of view, in the winter navigation demonstration program, there was a test designed for the Saint Lawrence to run ships through ice booms to determine what the technical effects of this would be, but also what environmental effects might result.

The State of New York opposed this on environmental grounds. As a result, the Corps of Engineers, who headed the program, and the winter navigation board did not want to undertake the program. The Corps of Engineers has a policy that they will not undertake a program unless the State approves it. So the project did not go on.

There are other areas which could give problems in the future, as we go along. In this particular project, the money that was available for that test under the demonstration program was returned to the Congress as a result of the decision by the corps and the winter navigation board, which I did not concur in.

If we get to the Clean Water Act, for example, we have a situation where you must have the approval of the State in order to undertake your project in that State. This raises interesting issues, in international water or in waters that go through one State, as to whether or not that State, in fact, in effect can stop the improvements designed to benefit other States who lie upstream from that area.

It is a complex problem, but the bottom line is that there has been a great deal of environmental problems in the State of New York. There has been a group called Save The River which has and is continually opposing any extension of the shipping season in the Saint Lawrence River. It has foreclosed us from making any tests to prove that the environment will not be damaged.

It is not our objective to hurt the environment. But there is a difference between an environmentalist and a preservationist, and in my opinion this has been a preservationist move rather than an environmental move, because we have had environmental groups that have said that what we were doing was sound, that the test we were doing was a good idea. We could prove whether or not what we were doing would affect adversely, or would benefit the environment, depending on the results. But we simply have been unable to make the tests.

The power authority of the State of New York, which is a State agency, has opposed the test because they felt that it would affect their operation. We don't believe it would. We think it would help. But the net result has been that they have stymied any progress in that area.

BOND REDEMPTION

Senator ANDREWS. The American Indian was the first environmentalist on this continent. He would have been in bad shape if he had yielded to the preservationist, because if he had not built that teepee he would have had a tough time living in New York State or North Dakota. That was modifying his environment. You modify the environment for the betterment of the people, and that is what you are doing in the Saint Lawrence Seaway.

You stated also that because of negotiations with the Treasury, your bond redemption schedule would remain at $2 million until fiscal 1986. Does the schedule still require a $5 million annual redemption after fiscal 1986?

Mr. OBERLIN. No, sir; it goes to $9.5 million after fiscal 1986.

Senator ANDREWS. Do you intend to eventually alter that schedule?

Mr. OBERLIN. Let me put it this way. If that schedule is not altered, and it can only be altered legislatively——

Senator ANDREWS. You said that the original schedule, for the period of years you are in now, was $2.5 million, and you are paying at the rate of $2 million.

Mr. OBERLIN. Yes, sir.

Senator ANDREWS. The Canadian repayments, are their bonds on schedule?

Mr. OBERLIN. Canada refinanced its seaway. It decided that after all they were the owners of the Seaway, and paying themselves the capital costs was, in effect, paying themselves back for something that they already owned. So they refinanced their whole seaway investment.

They converted it, in effect, to a capital stock sort of thing, where the country holds the assets of the corporation, and they pay back into their treasury the amounts that are available after they pay the operating expenses, maintenance, and improvements.

The amount to be paid back is to be set by the Minister of Transport, who is the counterpart of our Secretary of Transportation. In other words, in a good year, he might require that a bit more be paid back than in a poor year, but basically their target is about 1 percent of the investment—1 percent of our investment would be in the neighborhood $1.4 million a year.

If we had to go for a $5 million payment, which would be between 3 or 4 percent, and the Canadians had to do the same thing to get an equity, we would have had to go back for another 50- to 75-percent toll increase, which would drive the cargo out of the system.

UNITED STATES-CANADIAN INVESTMENT

Senator ANDREWS. If you are paying back $2 million this year, and the Canadians get 71 percent of the revenues, then they would be roughly expected to pay back $5 million or thereabouts?

Mr. OBERLIN. It would be about $6 million.

Mr. LEWIS. The 1 percent on their investment amounts to about $6 million. However, they also have toll revenues lower than their needs.

Senator ANDREWS. So they are not paying back at this time.

Mr. LEWIS. They don't have to meet that.

Senator ANDREWS. I know they don't, but the point was made that they are paying into a capital account at the rate of 1 percent.

Mr. OBERLIN. That is what their target is. They have not paid that, but they probably will this year.

Senator ANDREWS. So they are not paying into a capital account retirement item 2½ or 3 times as much.

Mr. OBERLIN. No, sir.

Senator ANDREWS. What would happen to toll levels if you were required to pay the debt as currently scheduled?

Mr. OBERLIN. With the $2 million, we would anticipate that the tolls would not increase at a rate any faster than inflation. But when you get up to the $9.5 million 4 years from now, it is going to be a "Katy bar the door" sort of thing, because tolls are going to have to go out of sight.

The whole rescheduling was really done in order to let us negotiate on a more equitable basis for this year, with the understanding that something would have to be done between now and the time $9.5 million came up.

RAIL DEREGULATION

Senator ANDREWS. What effect is railroad deregulation having on your tonnage?

Mr. OBERLIN. We don't really know because it hasn't happened long enough. The diversion of cargo to and from the Seaway, of course, depends on the competitive prices.

Mr. LEWIS. We have been trying to look into that, sir, and talked to many of the grain shippers involved as well as the carriers themselves. Certainly, I think, if we have any concerns, basically those would be the new contract provisions which tie up large blocks of cargo over multiple year periods. That, I suppose, is the biggest fear. From the contracts that have been issued or established so far with the ICC, there is one from our hinterland, and it specifically covers soybean shipments from Iowa, for instance, to the east coast for a period of 4 to 5 years. The more of this type of thing that is established could present us with much more intensified competitive problems.

Senator ANDREWS. Those rates in the soybean case are competitive with Seaway shipping?

Mr. LEWIS. Yes, sir; and that is why it is probably our most sensitive commodity moving out of the Seaway, corn and soybeans.

Senator ANDREWS. What percentage of saving does the shipper make by going with the new bulk contract rates?

Mr. LEWIS. I have no idea what those actual rates are. I have not been able to find out. Normally our advantage is probably, in the lower lakes, as little as $1 a ton as to whether or not it would go Seaway down the Mississippi, or rail. It is a very, very small margin.

CARGO SENSITIVITY

Mr. OBERLIN. One of the things we have to do when we negotiate, and I think it would be helpful to just point out that the Canadian grain, for example, is not subject to the same diversionary pressures that the U.S. grain is, therefore, the pressure on Canada to hold the toll down on grain is not the same as the pressure on the U.S. Seaway.

Everytime we go into one of these toll negotiations we undertake a very comprehensive sensitivity analysis to try to determine what the traffic will bear in terms of diversion, or how much leeway is there in any particular commodity, whether it be grain, coal, or whatever it might be.

Senator ANDREWS. The shipments from Canada certainly have been competitive from the standpoint of those grain provinces which have to decide whether to go to the west for export out of—it isn't Fort Williams anymore, is it?

Mr. OBERLIN. It is Thunder Bay.

Senator ANDREWS. They are still set by the old crows-nest pass rates from back in the 1880's—200 miles west of the Great Lakes, the Canadian farmer can export to the West Coast for about 35 cents a bushel less by rail than an American farmer can, and that is a whale of a big cut.

Mr. OBERLIN. That is true, but if you just look at the Canadians alone, 50 percent of their grain moves east and 50 percent moves west,

and the wheat board juggles pricing back and forth in relation to the transportation costs. They make contracts directly with the transportation companies, and they don't have the same degree of potential diversion.

In other words, it would be difficult for us to price out that 50 percent of Canadian grain with a toll, whereas it wouldn't be very difficult to price out the U.S. grain on a toll increase, particularly where it can be diverted down the Mississippi.

Senator ANDREWS. Pricewise, it would probably just as soon go west, but the only trouble is that there is limited capacity.

Mr. OBERLIN. That is right.

Senator ANDREWS. They have to go east because they have reached their maximum.

Mr. OBERLIN. They are building a new elevator complex on the west coast, but it will not be in operation for some time.

Senator ANDREWS. They are utilizing their facilities on the west coast 24 hours a day, and they still have grain cars backed up. That is their new farm set-aside program, they keep it stored in grain cars for a long time.

FACILITY INSURANCE

Finally, you mentioned briefly the fire in your office in Massena. Were you insured, and what were the circumstances surrounding that?

Mr. OBERLIN. No; we were not insured. The circumstances are that it was simply arson. I was not present when it happened; Mr. Kennedy was. I got there a few hours later.

Fred, do you want to comment on the insurance?

Mr. BUSH. Senator, according to a GAO ruling we are to be considered self-insured.

Senator ANDREWS. In other words, you were directed not to insure?

Mr. BUSH. Let me say that we, ourselves, have never gone to GAO and asked them that specific question. GAO came out with this ruling, and we assumed that it applied to us. I don't know what corporations posed the question, but it is obvious that it was a Government corporation. Therefore, we did not get insurance.

Senator ANDREWS. You mentioned that it was arson; why, and by whom? Were they mad at the Seaway? Were they looking for a bonfire?

Mr. BUSH. It was started in my office.

Senator ANDREWS. Were you playing with matches?

Mr. KENNEDY. This happened very early in the morning, at about 5 o'clock, on a Saturday morning, and it was Labor Day weekend.

Senator ANDREWS. A Government employee would never be in the office then, would he?

BUILDING FIRE

Mr. KENNEDY. A Government employee working the midnight shift at the locks called me. He got me out of bed, one of our traffic controllers who happened to be monitoring the local radio situation at 5 o'clock in the morning, and he heard the fire department being called up to go to the Seaway Building. He called me.

I only live a short distance from the Seaway Building. I was able to be there very shortly. It was a very beautiful building. It happened to

be the most beautiful office building in northern New York. When I arrived, the flames were going through the roof of the general counsel's office.

The firemen were waiting for somebody to show up with the keys. The bottom floor of the building is practically all glass on the exterior, and they had not broken a piece of glass. They waited for me to get there with the keys, open it up, and get in.

Very shortly it was determined that there had been a break-in. The break-in was on the west side of the building. An attempt was made to break into a file-type safe in the comptroller's office. The tire iron, which apparently was used for this, was left in the general counsel's office, because apparently when they got the fire going, it got going pretty hot, and they left their tools behind.

This is a three-story building. General counsel's office is on the top floor, and the comptroller's office is on the ground floor. So they came in on the ground floor, and apparently went upstairs and set the fire in the general counsel's office. They retreated down into the basement, and set a second fire in a little coffee shop. Then they went out of the building through the back way.

It appeared as though they were getting ready to start a third fire in the garage that they went through, but we assume, and the FBI assumes, the State police, the New York State Bureau of Criminal Investigations, all assume that things got going so fast that they left. It appears as if they left in a hell of a hurry. The tire tracks behind the garage were very evident where they had gone across the lawn and dug in.

The FBI has worked very diligently with our staff. They have tried to come up with some reason. To answer your question, there is no logical reason. The New York State BCI told me that there were two other incidents that happened in the area that night, a bowling alley was broken into but no fire set, and an automobile was vandalized but no fire set. They assume that these were young people, or young persons on drugs, looking for some resources to get some more drugs, and that is one of the reasons that they were trying to get into this file-safe, I presume.

ROBBERY-ARSON

Senator ANDREWS. Did they get into the safe?

Mr. KENNEDY. Near as we can tell, they didn't get a thing out of the Seaway Building, money or anything valuable whatsoever.

Senator ANDREWS. And they didn't break into the safe?

Mr. KENNEDY. No, sir.

Mr. OBERLIN. But the safe is damaged from obviously trying.

Senator ANDREWS. Then they went upstairs and set the fire?

Mr. OBERLIN. It really is not clear whether the fire was set to cover the robbery, or the robbery was set to cover the fire. That is the difficulty.

Senator ANDREWS. Was the building a total loss?

Mr. KENNEDY. Practically, yes.

Senator ANDREWS. In other words, if the firemen would have gone the other way, through the door that was open, they would not have had to wait for you to get there with the keys.

Mr. KENNEDY. Actually they did all they could do. Their response was fabulous, but the fire was going so well by the time the alarm was turned in. We had janitors in there until midnight, so the people entered sometime after midnight, and the fire was coming through the roof at 5 o'clock in the morning. It took a long time for that fire to develop to the point where it would burn through the roof. By that time, that plus the fire in the basement, our entire building was subject to smoke and water damage.

The law library, for example, which had one of the most complete libraries of Federal law books, was completely damaged. It really burned that completely. A lot of our other records, however, were recovered. The personnel records were recovered. Although things in the bottom file drawers were soaked very badly, and the material in the top drawers was singed pretty badly, they were all recoverable, and we were able to rebuild those files. The engineering department files were all recoverable. There was very little smoke damage done in that area.

Generally speaking, we have to rebuild the entire building.

RECOVERY FROM FIRE

Senator ANDREWS. You are proceeding with rebuilding the building?

Mr. KENNEDY. Yes, sir.

This happened, as I said, on Saturday morning of the Labor Day weekend. On Tuesday morning, when the employees came back to work, we had nine mobile homes moved onto the property, and we were in business. We had everybody come to work on Tuesday morning. They were told to come in casual dress, and good sturdy work shoes, and be prepared for unusual assignments. They had some very unusual assignments.

The assignments for the next month consisted primarily of drying, desmoking, and recovering the various files and papers that were recoverable. Then we got set up in these nine mobile homes. Coming from North Dakota, you can imagine that it is not too good to have your office in northern New York in a mobile home.

Senator ANDREWS. It is a lot better than a teepee. [General laughter.]

We had a group of preservationists at the University of North Dakota campus, and they were going to go back to living in a teepee—this was about 10 years ago. They didn't want to live in a dormitory that was steam-heated, and all that sort of stuff, so they had a big protest.

The university authorities said, "Fine. You want to pitch a teepee, you can do it on university grounds." So they had these two or three teepees. I will tell you that the first cold day in November, that was the end of the teepees. They went back to the steam-heated dormitories. So some of these trailers are not bad, it is a heck of a lot better than being in the open.

I have one final question. The rest of the questions I will submit, and you can answer them for the record.

GRAIN ORIGINS AND DESTINATIONS

It is my understanding that you have been one of the Federal agencies involved in a comprehensive study of grain origins and destina-

tions. What did you learn from that study? How much money did we spend on it? Where are you going to go with it?

Mr. LEWIS. Sir, the study was under the auspices of the Institute of Water Resources, and our participation was strictly at a level of funding of $25,000 into the project. I think the total project, or the portion that we went into, is probably in the area of $275,000, or something like that. We are participating along with Federal Rail, Maritime Administration, the corps, and the Agriculture Department.

That level of project is tied into a much larger one involving the various States, and the land grant colleges. The intention of the project, when it was getting going, was to try to track at least for 1 year of data, based on 1977, grains movements literally from the farmer to the port, to overseas destinations because nothing like this had ever been attempted before.

Right now we are just getting the raw data reports, and some preliminary ones. I believe we have wheat, corn and soybeans. A lot of the States intend to use it in terms of their total State transportation planning, since this will tell us how much grain moves in what direction by what mode, truck, rail, and the various port problems that might be involved, any number of general items that simply were not identifiable before.

For instance, we can tell on a preliminary reading for North Dakota that 50 percent of the wheat moves through Duluth-Superior, and eventually we should be able to tell exactly, or pretty closely where it goes in the overseas markets, and how much moved by rail and how much moved by truck.

Senator ANDREWS. But you don't have that information yet?

Mr. LEWIS. It is just coming in, in pretty raw form. I would say that by the end of the year we would have summary reports for each State.

Senator ANDREWS. When you do, send them along to the committee.

Mr. LEWIS. Certainly, we will be glad to.

SUBMITTED QUESTIONS

Senator ANDREWS. Mr. Oberlin, I have some questions from Senator Chiles, our ranking minority member, and I would like to have them answered for the record, along with the questions I have.

[The following questions were not asked at the hearing but were submitted for response for the record:]

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Questions Submitted by Senator Andrews

INSURANCE PRACTICES

Senator Andrews: As a result of the fire in Massena, New York, do you plan to make changes in your insurance practices?

Response: Yes. We plan to look into the cost of acquiring insurance on our rebuilt building and its contents. If adequate coverage is available at a reasonable price we feel that its purchase would be an appropriate use of Corporation funds.

Senator Andrews: Have plans been made for a replacement facility in the same location?

Response: Yes, they have. We have the architects and engineers preparing the designs and specifications right now and we plan to begin reconstruction early this spring.

MAINTENANCE AND REPAIR COSTS

Senator Andrews: Maintenance and repair costs to the Seaway have been higher than expected in the recent past. What did you encounter this past year and what are you anticipating as major maintenance and repair concerns in the next five years? What projected capital and operating expenses will be required?

Response: We have always had a problem of deteriorating concrete in Eisenhower Lock. Over the years, some routine maintenance had to be deferred and the resources devoted to maintaining the structural integrity of the lock. This began to catch up with us and simply couldn't be deferred any longer without serious consequences. In addition, the concrete deterioration has increased rather than abated. We decided we simply had to devote more resources to this effort and we hired an engineering firm to look at lock conditions and our program to maintain them. Essentially, they confirmed our belief that we should be doing about double the maintenance and repair work from four years ago. During the past year, for example, repairs to the downstream mitre gates at Snell Lock was accomplished for the first time in 22 years. Additionally, last winter cracks were discovered in the beams which support several valve drives. These cracks are being repaired this winter. Also, this winter, repairs to the upstream gates are being accomplished at both locks. These and other mechanical maintenance items are being accomplished along with the phased replacement of deteriorated concrete at Eisenhower Lock. We anticipate that over the next five years about $1.5 million in 1980 dollars will be required each year to continue structural repairs and accomplish those items of mechanical and electrical maintenance which were previously deferred.

ENGINEERING REPORT

Senator Andrews: You mentioned in your statement that an engineering final report is expected soon which identifies a need for increased structural repair and maintenance. Given that you have already doubled your maintenance and repair work compared with the figures of four years ago, how do you expect to be able to meet these rising costs?

Response: We operate just like a private business would. Our revenue and expenditure estimates are generally somewhat conservative. If we have an income shortfall we cut back on programs, usually on replacements and improvements. We are constantly reviewing all our programs during the year and making adjustments as necessary. If our income is higher than projected, as it was in 1978-1979, we set aside funds to help meet expenses when business is down. If we can meet costs no other way, we have to increase toll levels.

LOCK REPLACEMENT

Senator Andrews: What is your long range assessment of the need to begin planning for major replacement of the existing locks, addressing both repair problems and the need to accommodate larger vessels, if such need exists?

Response: The Canadian Welland Canal is expected to reach capacity sometime between 1985 and 1990. When capacity constraints at the Welland Canal necessitate newer, larger locks there, similar locks will be required on the St. Lawrence River. Otherwise, the capacity of the St. Lawrence system will be almost immediately saturated by the additional traffic generated by the Welland improvement. In short, major improvements need to be made essentially simultaneously to both the Welland Canal and the Montreal-Lake Ontario sections of the Seaway system. The very large costs of such an undertaking and the international considerations will require a lengthy review process of negotiations, economics, environmental issues and national transportation policy issues in both the U.S. and Canada, and this work should begin in the near future. As a first step, the Seaway entities now have underway a joint commodity flow forecast study to assess traffic levels and vessel sizes anticipated over the next twenty years. This should enable us to have a current assessment of traffic demand levels for the short and long range years ahead. At this time it appears that our lock maintenance program will forestall the necessity for the replacement of the present locks based on repair problems. However, constant maintenance and appropriate funding will be necessary. A supplement to our analyses will be a Corps of Engineers Seaway additional locks study, due for completion in 1983 which among other things will also address the lock repair problem.

WATER TRANSPORT MARKET

Senator Andrews: What do you see as the future markets and traffic levels for the Seaway? How does this compare with other U.S. ports regarding the Seaway's share of the water transport market? How does this compare with competing modes such as rails?

Response: The joint forecast project I previously referred to will give us a more sophisticated assessment of future traffic growth, however, at present we believe export grain will continue to be the primary commodity utilizing the system in the years ahead. Coal exports are expected to increase in the next few years due to the recent increased export demand, but whether or not it will be a sustained movement will depend on industry reaction and competitive route transportation costs. Iron ore movement which is second to grain in terms of total volume will generally flow in response to the economic activity of iron and steel production and the auto

industries. In general, we expect a 2 to 5% annual increase in tonnage barring unforeseen events which disrupt traffic from year-to-year. Historically, the Seaway carries about 10 to 15% of the Nation's foreign commerce and we would expect that level to be maintained. Rail deregulation could adversely impact on Seaway grain movements as rail competition intensifies over the next few years.

UNOBLIGATED RESERVE

Senator Andrews: Provide for the record a brief history on the Corporation's unolbigated reserve regarding the purpose of the reserve and under which circumstances it has or might be used. What is the present balance in the reserve?

Response: In Fiscal Year 1980 the Corporation began to set aside a portion of its working capital each year as an unobligated reserve to fund approved programs in the event revenues did not reach projected levels. Historically, the Corporation had not been able to fully fund some programs, particularly replacements and improvements, due to revenue fluctuations. By the time we were certain of revenue levels in any given year, it often would be too late in the fiscal year to obligate funds in a businesslike, efficient manner. Occasionally, as much as 30% of budget authority would lapse and needed projects would have to be deferred. The existence of the reserve now allows us to fund projects, throughout the year in an orderly manner even in years when revenues are down. If revenues drop, the reserve can be used to make up the difference, as may be the case in Fiscal Year 1982. If revenues rise, the reserve can be replenished or increased. The current balance in reserve is $1.3 million, however, we expect that much of this will be utilized before the end of Fiscal Year 1981.

U.S.-CANADIAN SEAWAY COORDINATION

Senator Andrews: Describe the Seaway's relations with Canada and identify any concerns you have regarding those relations. Specifically, will the Welland locks, operated by Canada, be reaching capacity by the end of this decade? What steps are being taken to assure that the Seaway's growth will not be restricted by this facility's capacity?

Response: The relationship between the two Seaway entities could be termed excellent. Of course we have differences of opinion at times but generally we have been able to reach agreement on operations and policy matters with few problems. Capacity estimates for the Welland Canal indicate saturation of that facility will occur in the 1985 to 1990 period. That is one of the reasons we initiated the joint traffic forecast study in order to better pinpoint capacity concerns and potential capacity improvement alternatives. The Seaway Authority is forcusing on the Welland Canal with programs involving bridge removal, channel widening and improved traffic control measures to expedite vessel movement through the Canal. These improvements are closely coordinated with the Corporation and will no doubt intensify as we proceed jointly with system improvement alternatives.

Senator Andrews: According to last year's testimony, your agency was to have received a final report on the demonstration of all-weather navigation systems and their application to Seaway

operations. Have you received that report and do you intend to implement its findings? Do you have a time frame for implementation?

Response: The Corporation did receive the final report of the technical feasibility demonstration project conducted by the DOT Transportation System Center. The results indicated that an all-weather system may be feasible. However, neither of the two systems tested, Loran C and Raydist T, appears to provide the required combination of accuracy and reliability for an operational system. The Canadian government also conducted tests with a third radar system known as PRANS, with similar results. Funding constraints precluded further project activity this past year, but we are pursuing coordination of further efforts jointly with the Canadian Seaway Authority and the two Coast Guards to draw on additional expertise and resources. Both Seaway entities agree that development of an all-weather navigation system is a high priority in terms of expanding present season capacity as well as enhancing extension of the present season.

STAFFING LEVELS

Senator Andrews: How have, and will, efforts to restrict the size of Federal Government employment affect your operations?

Response: Over the years, the Corporation has operated with minimum staffing dictated primarily by needs and resources. It has always kept below the original projected staffing. Limited ceilings mitigate against the flexibility needed to manage a cost effective organization operating solely from revenues. Reduced income can result in reduced personnel costs but this must be a function of management. The Corporation will adjust personnel levels as needed consistent with providing the necessary level of service.

REPORTING REQUIREMENTS

Senator Andrews: To what extent can you quantify the burdens placed upon the Seaway Corporation as a result of the Freedom of Information Act, Occupational Safety and Health Act requirements, Environmental Protection Act requirements, etcetera.

Response: All of these, plus some others, require approximately two staff years of time, which is a lot for an organization our size.

SUPPLIES AND MATERIALS

Senator Andrews: What is the reason for the 59% increase in your requested object classification for supplies and materials?

Response: The increase is to fund higher costs of supplies and materials for the expanded maintenance and structural repair work at the locks. Our recent review indicates we are and will continue to be doing about double the maintenance and structural repair work we had four years ago.

SUPPLEMENTAL REQUEST

Senator Andrews: Detail for the record the justification for your requested supplemental. Include the specific objectives

and purposes of the request, and the impact on your operations if Congress is unable to approve your request.

Response: The Corporation is requesting a supplemental increase in its Administrative Expenses Limitation for FY 1981. The additional expenses were the result of additional administrative costs directly attributable to the virtual destruction by fire of the Administration Building in Massena, New York, last August 30, 1980. As a result, we are requesting this Committee for an increase of $225,000 in our Administrative Expenses Limitation. The additional authority will cover the costs of such items as: cleanup after the fire; use of additional temporary personnel; restoration of records; replacement of necessary library materials; reinstallation of telephone system and other communication devices; and other administrative burdens imposed by this extraordinary event. Without this increase it will not be possible to cover these expenses and do all of the things required by our previously approved administrative program.

Questions Submitted by Senator Chiles

BOND REPAYMENT

Senator Chiles: The Corporation is proposing to extend the maturity dates of its borrowings. If the Congress approves this debt restructuring, it will be the third time since 1970 that it has been adjusted to permit the Corporation to meet its obligations. In view of the fact that the enabling legislation that established the Seaway indicated that tolls should be set at a level to permit the Corporation to cover its expenses, doesn't this imply that tolls have been set at levels lower than were intended by the Congress?

Response: The Corporation is directed by statute (Public Law 358 as amended) to negotiate with its Canadian counterpart the rates of charges or tolls to be levied for use of the Seaway. The principles governing establishment of toll rates state that the Corporation should calculate rates to cover, as nearly as practicable, costs of operation, maintenance and administration but also that the rate levels shall be fair equitable and give due consideration to encouragement of increased use of the facilities. We believe the Corporation and the administrations of which it has been a part, have acted responsibly, given the financial and political parameters in existence over the years.

TOLL SCHEDULES

Senator Chiles: I understand that tolls have only been adjusted once since 1959, and that the Corporation is now proposing to adjust them again. Please provide for the Committee the Corporation's toll schedule by major commodity group. Also, please show the level of tolls to be proposed and the level of tolls that would be needed to avoid the need to once again extend the maturity dates for the Corporation's debt.

Response: In 1977 the Seaway entities agreed to establish toll levels beginning in 1978 which called for doubling of the then existing toll rates.

The present toll schedule is as follows:

ST. LAWRENCE SEAWAY TOLL SCHEDULE

1981

	Montreal to Lake Ontario	Welland Canal	Combined
Bulk Cargoes	$0.68	$0.31	$0.99
General Cargoes	1.65	0.50	2.15
Container Cargo	0.68	0.31	0.99
Government Aid Cargo	0.41	0.31	0.72
Grains	0.41	0.31	0.72
Vessel Gross registered Tonnage Ballast or Laden	0.07	0.07	0.14

Note: Cargo tolls are expressed in dollars per metric ton; SLSDC receives 29% of revenues from tolls applied on the Montreal Lake Ontario Section only.

No proposed toll levels have yet been exchanged with the Canadian Seaway Authority, however, we anticipate a toll level increase at the 12 to 15% level rather than 50% or more as a result of the recent rescheduling of the debt. In 1986 the level of bond payment alone increases to $9.5 million which would require far more than again doubling existing tolls. Such a level of increase would be so high it would be counterproductive to maintaining traffic flow and increasing revenues.

SEAWAY COMPETITION

Senator Chiles: Tolls represent approximately five percent of total shipping costs through the Seaway. How competitive are total shipping costs through the Seaway with other transportation modes? Please provide several examples.

Response: Shipping costs through the Seaway vary considerably by specific commodity and origin/destination within the system, however, generally, the carrier rates are established close to the level of competing routes and modes. In very broad terms grain cargoes move at rate levels ranging between a $1 or more ton advantage via the Seaway compared with rail or barge transport, however, market conditions are constantly changing during the shipping season. Under current conditions iron ore through the Seaway has about a $2 per ton cost advantage over alternative routes of movement. Rates on containerized cargo vary dramatically by product and location, but here in particular, frequency of vessel sailings plays as important a role as shipping costs in determining route choice.

SEASON EXTENSION

Senator Chiles: I understand that the Corporation currently has an 8½-month operating season but would like to extend that to a 10-month season. What would be the costs and additional revenues raised to extend the season to 10 months?

Response: Our estimate would be that to achieve a 10-month season would probably require an initial U.S. investment cost of $15 to $20 million and annual revenues to the Corporation would be about $2 million. These figures are preliminary and subject to refinement.

SUBCOMMITTEE RECESS

Senator ANDREWS. I appreciate your coming. Thank you for your testimony. We look forward to working with you.

[Whereupon, at 11:40 a.m., Friday, February 20, the subcommittee was recessed, to reconvene at 10:05 a.m., Thursday, February 26.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, FEBRUARY 26, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

NATIONAL TRANSPORTATION SAFETY BOARD

STATEMENT OF JAMES B. KING, CHAIRMAN

ACCOMPANIED BY:

MICHAEL CUSHING, MANAGING DIRECTOR
JAMES W. DANAGHER, DEPUTY DIRECTOR FOR OPERATIONS, BUREAU OF ACCIDENT INVESTIGATION
SAMUEL W. SWEET, JR, DIRECTOR, BUREAU OF TECHNOLOGY
ROY W. ANDERSON, DIRECTOR, OFFICE OF EVALUATIONS AND SAFETY OBJECTIVES
PAUL M. VOORHEES, COMPTROLLER

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

The testimony we will hear this morning first is the testimony from the National Transportation Safety Board. Mr. James King, the Chairman, is with us.

Mr. King, if you would introduce your compatriots who are on the panel with you and then you might summarize your statement hitting the highlights with the assurance that it will be printed in full in the record and then we can proceed to questions.

Mr. KING. Excellent, Mr. Chairman.

First, I would like to say that we are pleased to be here before you today to present our budget request for fiscal year 1982.

With your permission, Mr. Chairman, we will submit our comments for the record and give you a summary at this time. Before I begin, of course, I would like to introduce the members of the Safety Board staff who are here with me this morning.

They are on my immediate left, your right, sir, Mr. Michael Cushing, our Managing Director, and to his left Mr. Paul Voorhees, our Comptroller. On my immediate right, Mr. James Danaher, Deputy Director

for Operations for the Bureau of Accident Investigation, and to his immediate right Mr. Samuel Walt Sweet, Jr., Director of the Bureau of Technology. On his immediate right is Mr. Roy Anderson, Director of the Office of Evaluations and Safety Objectives.

OPENING STATEMENT

The roots of the National Transportation Safety Board go back over 54 years to the Air Commerce Act of 1926. In 1974 the Congress directed the National Transportation Safety Board to conduct independent accident investigations in the five transportation modes: aviation, rail, highway, marine, and pipeline.

In addition to its primary mission of accident investigation, the Board conducts special studies and evaluations, exercises oversight responsibility of other Government agencies involved in transportation safety, and makes safety recommendations designed to prevent the recurrence of accidents in all the transportation modes.

The bedrock of the Board is accident investigation. In 1980 the Board conducted a wide range of investigations. A sampling includes the ship collision with the Sunshine Skyway Bridge in Tampa Bay, Fla., a passenger train derailment in East Glacier Park, Mont., and a pipeline explosion in a high school in Independence, Ky.

ACCIDENT INVESTIGATION

Go-teams investigate major accidents such as the DC-10 tragedy at Chicago. On 24-hour alert a go-team is a group of Board techincal experts who possess a wide range of accident investigation skills.

In aviation, for example, a go-team roster could include one of the five members of the Safety Board, an air traffic control specialist, a meteorologist, aircraft engine and structures technicians, as well as experts trained in witness interrogation, aircraft operations, and maintenance recordkeeping.

In the case of a railroad accident, for example, a go-team format is similar but the specialties vary and might consist of a track engineer and a signal expert along with an intermodal human factors specialist whose role could range from identifying the types and causes of accident injuries to determining the psychological factors contributing to the accident.

The go-team operates under the party system in which the Board investigates each aspect of the accident with the full participation of qualified representatives as needed from the operator, manufacturer, regulatory agency, unions, companies, and other agencies.

The Board's independent leadership works to insure the public of an objective and thorough investigation. There is no need to remind you, sir, that we are both held accountable by the public for our performance at these events. The Safety Board's mission is an enormous one, particularly in light of the Board's small staff and limited resources.

To gain a proper perspective we need only to look at our annual budget, a budget which would not run the Federal Aviation Administration for 2 days nor the Department of Transportation for 2 hours. Given this reality, Mr. Chairman, I am particularly proud of the record

of the Safety Board in achieving concrete improvements in transportation safety.

SAFETY BOARD EFFECTIVENESS

You may recall that the last time I appeared before this subcommittee I promised that my major objective would be to improve the Safety Board's effectiveness to see that our accident reports, evaluations, and recommendations were translated into changes in the real world.

Often it may be difficult to notice these changes. For if the Board is doing its work well it will be reflected in things that do not occur, accidents that don't happen, lives that are not lost, pain that is not inflicted, and business and commerce that are not disrupted.

By any measure I can say with confidence that we have delivered on this promise. We are more effective and more productive. The citizens of America who have supported us with their tax dollars have seen that investment returned severalfold.

SAFETY IMPROVEMENTS

During the past year we have seen safety improvements in several transportation modes. We feel that many of these improvements, some just first steps, would not have occurred without the work of the Safety Board. Let me cite just two examples, if I may.

COMMUTER AIRLINE SAFETY

Just 1 year ago, concerned with the escalating accident statistics, the Safety Board convened a public hearing to examine safety problems confronting the commuter airline industry and the Federal Aviation Administration. Today, 1 year later, statistics show fatal commuter accidents down 57 percent, these are the fatal accidents, and the fatalities therein down 65 percent.

Although we do not claim credit because we don't claim responsibility if such things do happen, for reducing the accident rate there is no question that the Board's leadership brought prompt action by both industry and the FAA.

Quite frankly, it is too soon to say that the commuter industry has turned the corner on all of its safety problems, but 1980 clearly demonstrates a vast improvement.

JUMBO TANK CARS

Today, as a result of the Board's pressure through recommendations, public hearings, and congressional testimony, every 112A–114A jumbo tank car carrying hazardous material on our Nation's rails is protected by a head shield and a shelf coupler.

Mr. Chairman, this is a shelf coupler that has presently been installed. The only difference between this coupler and a traditional coupler that we have seen in the entire railroad industry is that the top and the bottom part, which as you can see it locks, catches, and can interact with another shelf coupler or act unilaterally.

The traditional puncture that we saw in this particular tank car was in an override the dynamics where the couplers would slip out, this

would move forward as a battering ram striking the head of the car in front of it and piercing it. That created 9 out of the 10 most common types of punctures. Usually anhydrous ammonia was the product or LPG gas, depending on the time of year.

By having this what we have been able to do is, No. 1, we can absorb a great deal of energy and we don't have the override. If the forces are such that they start to override as these come up and catch it will break, therefore, removing the battering ram and the entire shelf moves forward. If that moves forward then we now have the head shield which acts as a piece or armored plating either attached to the tank itself or an independent freestanding one, depending on the design, and both are acceptable, striking that. We have virtually eliminated the type of puncture that we have seen and that was by adapting this.

Mr. Chairman, by the way, the cost of this particular coupler as compared to the old coupler is approximately $100. The head shields and shelf couplers were done in 18 months and not the 4 years we were told were originally needed. I think there is a genius of American industry when it is focused and, quite frankly, there is nothing that can't be done and they did it.

Senator ANDREWS. Did you design that coupler?

Mr. KING. No, sir; that coupler had been available on the market and it had been fully tested as to what it could do by 1972. The final rulemaking had started into effect on, I believe, January 1, 1978.

The problem was that when we got into the discussion in our public hearings on this subject we found that virtually no car had been retrofitted and there had been some question as to cost and the time it took, you know, to make the changes, especially with the shelf coupler. We were told it would take 2 years to put just this on, just the shelf coupler. In point of fact, the entire fleet for all intents and purposes was completed in less than 6 months of actual work.

Senator ANDREWS. So now all of these bulk tank pressurized carriers have this type of coupling on them.

Mr. KING. Yes, sir.

Senator ANDREWS. Whereas before the order was issued only the new ones were being manufactured with it, or was the industry putting this on the new ones?

Mr. KING. There was no requirement to have any of this on.

Senator ANDREWS. Were they putting them on the new ones?

Mr. KING. To the best of my knowledge, some were.

Senator ANDREWS. The pull consistency?

Mr. KING. That is right. The vast majority weren't protected. Quite frankly, it is difficult to imagine the amount of hazardous materials, vinyl chloride, anhydrous ammonia, liquid petroleum gas, or hydrocyanic acid carried on the Nation's rails everyday.

We know, for example, that 100-car chemical trains carry such products and go through some major industrial cities at least on a weekly basis and the potential for disaster is always there.

We feel that the proverbial ounce of prevention can, and indeed does, save lives. We are seeing this more and more in the accidents we investigate where prevention, in this case the head shields and shelf couplers, has clearly worked to save lives and property.

Just how these safety improvements save lives and property are illustrated in some photographs I would like to show you.

[Photographs are distributed by Ms. Dixon.]

Mr. KING. I would like to share these with you, Mr. Chairman, and the subcommittee.

The first picture is from a tank car explosion in Crescent City, Ill. It gives us a sense of the potential destructive force with some hazardous materials. In this instance the cars were carrying liquid petroleum gas, LPG.

The second set of pictures you are looking at are from the Board's investigation of a derailment involving tank cars carrying hazardous material such as ethylene oxide, ethyl acrylate, vinyl chloride, and petroleum naptha at Inwood, Ind.

Three of these pictures show protected cars. I think one of them graphically illustrates what happens without protection.

The Board has been able to play an important role through the effective management of its limited resources, management which has resulted in tremendous progress in efficiency and productivity.

PRODUCTIVITY

If I could, Mr. Chairman, could we uncover this chart here. I think this chart shows this achievement. It is based on productivity indices that were used by the Bureau of Labor Statistics established over 13 years ago.

Mr. Chairman, the blue line that you see that is basically running flat in a downward side is our staff years and that is our major cost factor in our agency. We are labor intensive. We have flattened it.

Output is the green line going up. To achieve productivity you divide your output by your input, the input being the blue line and the staff years, and that gives you your productivity.

I think that clearly demonstrates that if any agency is coming before you, looking at that I think you can sense that we are not what would be considered empire builders by any stretch of the imagination. It is my hope that the agency could be smaller and more effective and not necessarily just larger. Although I must say at times that that can work against you, but we will touch on that later.

Senator ANDREWS. How come your rate of productivity increase has slowed down so much in the last year or so? You were doing great a couple of years ago and then it looks like you have kind of dropped off.

Mr. KING. No; what we have done is we have established a 5-degree increase. As you know, there are limits where you really have reached what your impact is and what you can maximize. What you now want is to maintain an upward curve. The upward curve of about 5 percent should be maintained.

I think if our economy in general were able to even maintain a 5-percent productivity ratio I think most people would report that they would be thrilled.

Senator ANDREWS. Well, how do you measure the Board's productivity? On page 4 of the budget how was the 1980 figure around 200 derived? In other words, that line looks very pretty but, you know, look-

ing at that the first thing you think is you guys really fell asleep after you had a good start and then it kind of looks like there is room for improvement and you have got to put somebody in that can electrify it as was done 4 years ago or 3 years ago.

Mr. KING. What this would reflect, and it is reasonable, is that we had an agency that had a substantial ability. If you will, if I have a horse that is not carrying a very heavy load I can increase the percentage of his load and I reach a point at which if I put any more on the horse he will collapse.

Where we now are is with each year, and basically the 5-percent increase has been based on an increased use of technology, word processing, and certain data usage where we have been able to enhance it. Our products, as I mentioned, are our accident investigations of different types. We have 12 indexes that have been used back over the years as output. What we have done now is just about optimize that.

So what you are going to talk about in future growth with a limited number of resources, talking about people, is optimizing what you have in that particular market and can you create a continued level of growth.

Senator ANDREWS. To get back to your figure, what does around 200 mean?

Mr. KING. Are you talking about our baseline?

Senator ANDREWS. Your baseline I assume is 100.

Mr. KING. That is correct.

Senator ANDREWS. So I assume that your productivity has been doubled.

Mr. KING. Right; the baseline is the 1968 baseline.

Senator ANDREWS. That is right. So now you have gotten to around 200.

Mr. KING. On output; no, on productivity we are at a little over 150, sir.

Senator ANDREWS. Well, on page 4 of the budget you used "around 200." I am just looking at your figures and asking for your explanation.

Mr. KING. I am looking for the 200. Are you talking about on the chart, sir?

Senator ANDREWS. "Around 200."

Mr. KING. You are talking about output. I am sorry, I thought you were talking about productivity. That is at the 150 range. Yes, the output is over 200.

Senator ANDREWS. Yes; well, what does the 200 mean? Does it mean, I assume, twice as much output as 100 in the base year?

Mr. KING. Oh, yes; yes, it does.

Senator ANDREWS. Now, does this account for quality of the output or is it just a number of cases that you have delved into? You can take a 2-day case and do you give it the same rating as you do a 2-month case?

Mr. KING. The Bureau of Labor Statistics established the various criteria. We have 12 different categories of the different things that we do that are products of the Board. What we have done in that case is that on their agreement those are each given different weights and they are based on averages of what it would take.

For example, we did an Air Wisconsin case this year which wasn't terribly complex, and I am talking about utilization of resources and I am looking at Mr. Danaher from accident investigation as I say this, compared to the DC–10 in Chicago where we literally had almost everyone in our aviation division in the field on that one.

Senator ANDREWS. I think the DC–10 investigation got more weight than the Air Wisconsin.

Mr. KING. No, sir; they are averaged.

Senator ANDREWS. If you did in 1 year a DC–10 investigation and the next year you did two Air Wisconsin that would give you a 200 on your hit parade.

Mr. KING. No, really.

Senator ANDREWS. That isn't what you just said.

Mr. KING. On our base year, though, we are talking about all kinds of accidents because what we are talking about is in the category of 56 major accidents now that we are doing in a year as compared to 23 major accidents in 1977. So by any standard in any reasonable average that is a substantial increase.

Senator ANDREWS. But you just said, if I heard correctly that the DC–10 deal received the same weight the Air Wisconsin did.

Mr. KING. That is correct, sir. Both take a substantial amount of time and in the total long run average out. So we view the time that is used on major accidents as equitable.

Senator ANDREWS. So if we look at a given year where you had five minor investigations versus the year when you had two major ones the output would be as 5 to 2 on your Richter scale or whatever you are calling that.

Mr. KING. As one of the indexes, as 1 of the 12 which are major accidents and that is 1 of the 12.

Senator ANDREWS. But it isn't that accurate if you count a DC–10 investigation.

Mr. KING. As one major, yes, sir. It is counted as one major.

Senator ANDREWS. Why don't you when you set up the record on this, why don't you expand on that in the record so we get just a little clearer idea of what these figures mean. We have seen graphs from everybody from the State Department to the Justice Department and the Department of Agriculture and all the rest. I have seen graphs on parity and farm price structures and all the rest and they don't really mean a whale of a lot unless you know what they are talking about.

I am a little confused when you give the same weight in your chart to a major investigation as you do to a once-over-lightly type of thing and that is why I would like to have you explain it in a little more detail for the record.

Mr. KING. All right. Just so no one would misinterpret the record, something like an Air Wisconsin isn't a once-over-lightly, it is that when we get there we didn't need the entire kinds of team that we needed at a DC–10.

Senator ANDREWS. I am not treating an Air Wisconsin lightly because they serve my State and I am very concerned about them. It was your point that it took a lot fewer man-hours and then you went on to say but they are given the same weight and that is what intrigued my imagination.

Mr. KING. Yes, sir; good enough and we will do that.
[The information follows:]

The Safety Board is one of 373 organizational units in the Federal sector participating in OPM's Federal productivity project by submitting output and input data to the Bureau of Labor Statistics—BLS—annually by fiscal year.

OPM's system specifically expresses productivity as the ratio between the volume of products or services produced—output—and the quantities of labor resources consumed in its production—employee-year inputs. In the case of the Safety Board, output is based on 12 major products including major investigations, field investigations, safety recommendations, etc. The Board's input is simply the employee-years matched to each of the 12 output products. The ratio of output to input is translated into an index with the first year's data—fiscal year 1968—referenced at 100. Subsequent yearly changes in the ratio are analyzed by comparing the current index with the base year reference index. The attached chart depicts this relationship for the fiscal years 1968-80.

Since the Board has more than a single product, a composite output index must be constructed through the use of base-year unit employee-year weights. The quantity of each of the 12 products produced each year—output—is weighted by the number of employee-years required to produce one unit of that output in the base year. Therefore, those products, e.g., major investigations which required more labor time to produce in the base year are given greater weight in the composite output measure. We are talking about a weighted average—we completed 56 major investigations in fiscal year 1980 and each received the same weight regardless of the magnitude of effort required, however we feel that an annual average affords sufficient accuracy in presenting a composite picture. We do have a system for gathering data pertinent to a specific investigation or other work product when such accuracy is required.

Our chart shows that fiscal year 1977 was a particularly poor year, productivitywise for the Board. There were several reasons for this slump, however, the principal reason was a massive reorganization with NTSB. It can also be seen from the employee-year line on the chart that the Board had a sizable increase in the number of employees between fiscal years 1976 and 1977. The new employees were relatively unproductive until they could be trained in the Board's methods and procedures. Many of our onboard investigators were used to train those new employees thereby reducing their productivity in the investigative areas. At the same time, output was dropping, so in effect we were doing less with more people resulting in a significant lowering of the output/input ratio—productivity.

Between fiscal years 1977 and 1978, the reorganization and the training began to pay dividends, reversing the slump in productivity. Then during fiscal years 1978 to 1980, significant management improvements were implemented, e.g., reduced production schedules and establishment of a word processing center, to further improve productivity. There is a limit to what can be accomplished by the improvements that we have made especially in view of the leveling off and drop in input—employee-years—since fiscal year 1978. Out goal is to maintain an annual increase of 5 percent in productivity. This is an ambitious objective when compared to the total Federal civilian work force's annual average 1.4-percent increase during the period fiscal years 1967 to 1979.

PRODUCTIVITY

Mr. KING. By the way, I seriously doubt if many agencies could match the Board's productivity increases over the past 3 years. If they would like to use their labor base that was started back at the same time you might want to look at that. In fact, the average productivity increase for the Board has almost doubled during this period.

I think the increase is particularly impressive when one realizes that total Government-wide productivity in recent years has been increasing on an average of only 1.4 percent per year. This chart demonstrates an overall increase in Board products, an increase which means more accidents are investigated, more safety reports published and more recommendations are made. In short, doing more with less.

I believe with just a few more resources we can achieve even greater safety. Our record shows that an arithmetic increase in Safety Board resources can produce a geometric increase in safety benefits, which, by the way, in our work equals life.

Mr. Chairman, few agencies can show a more impressive cost-benefit ratio.

SAFETY AREAS

Before I summarize our *resource requirements* for fiscal year 1982 I want to mention just four safety areas the Board intends to pursue during the next fiscal year.

HAZARDOUS MATERIALS BY TRUCK

No. 1, transportation of hazardous materials by truck.

Mr. Chairman, over 90 percent of the hazardous materials incidents in accidents occur in the highway mode. Sixty-five percent of the reported injuries and 80 percent of the fatalities from these accidents occur as a result of tank truck accidents.

In its fiscal 1981 appropriations report for this agency, SR 96–377, the Senate Appropriations Committee directed the Safety Board to undertake an evaluation of the enforcement efforts of the DOT with regard to safe transportation of bulk hazardous materials by truck.

The Board's evaluation found that the current DOT enforcement effort is deficient in that DOT: One, does not have accurate data concerning the characteristics of highway hazardous materials transportation, including information on overall industry compliance with Federal regulations; and, two, has not coordinated the hazardous materials enforcement activities of its several modal administrations. Even the Bureau of Motor Carrier Safety's enforcement efforts may vary from region to region.

The Board has also criticized the Bureau of Motor Carrier Safety for not developing necessary criteria to determine which companies to audit, whether and how to develop enforcement cases, and how to determine the appropriate level of civil penalty if required and not evaluating the effectiveness of its various enforcement activities.

As part of its study the Board also evaluated programs dealing with hazardous materials truck safety in 24 States. The Board concluded that although many States have laws and regulations governing transportation of hazardous materials few States have a cohesive enforcement program even in the highway mode. Responsibility for enforcement is often fragmented among several State agencies.

The Safety Board found that State efforts to regulate hazardous materials transportation were often hampered by such problems as inadequate and uncertain funding, too few personnel, inadequate data processing facilities, and ineffective low fines, disincentives, if you will.

Of the 24 States evaluated the Safety Board found that only Illinois currently has a reasonably comprehensive hazardous materials truck enforcement program with an adequately trained staff, suitable data processing facilities, effective interagency coordination, and an organized sanctions system with large civil penalties available.

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We have made a number of recommendations to the DOT to correct these problems and we will continue to monitor this area closely.

RAIL RAPID TRANSIT

No. 2, rail rapid transit. The rail rapid transit safety has an excellent record but a near catastrophic fire in the San Francisco subway dramatized the possibility of a predictable accident scenario with over 1,000 fatalities.

The Board examination of the current approach to rail rapid transit safety indicates that it has been largely reactive rather than preventive. The current safety approach for the most part consists of fragmented efforts by individual transit systems whose resources are relatively limited to address industrywide safety issues on a site-by-site and often ad hoc basis with little or no external safety oversight.

This approach has too often resulted in the use of combustible and toxic materials in the construction of transit cars, inadequate ventilation systems in tunnels, insufficient provisions for evacuating passengers and poor or nonexistent emergency communications, little, if any, life support for firefighters, and lack of adequate emergency procedures.

Mr. Chairman, I would like to bring your attention to the BART pictures, the fire pictures on the chart to your right.

The materials in this particular car, Mr. Chairman, are made up of the same kinds of materials that one could find in buses and you can also find it aboard some of our air transport class aircraft.

This particular car, the picture is taken from the ceiling looking down. You can see the total damage that was created here.

The next picture, Mr. Shelby.

This is taken from the head-end. You can see the coupler there and you can see the refuse in the car. I think this pretty much indicates the total destruction and the level of heat generated in there.

The next picture, please.

This is merely a side shot again indicating the burn profile in this particular sequence.

At the State and local level safety oversight is virtually nonexistent. At the Federal level the Urban Mass Transit Administration, UMTA, in the Department of Transportation has the primary responsibility for overseeing rail rapid transit safety.

However, UMTA has said it lacks the authority and resources to do an effective job. Yet it seeks no authority to support their admitted responsibility and no additional resources either through the budget process or by reprograming existing resources.

In July of 1980 the Board brought together transit management and labor, fire service officials, representatives of the American Public Transit Association, APTA, and the Federal and State regulators to ask if a more coordinated approach to rail rapid transit safety would make more sense.

We ask the question when billions of dollars of Federal transit grants are expended over the next several years should safety concerns be taken into consideration in the initial design of the systems and of their operation or are retrofits a better use of limited dollars?

Mr. Chairman, in the case of the BART system to retrofit those cars after this fire cost more than twice as much as the initial cost of purchasing another car. Yet basically the knowledge that was available during the retrofit was available at construction.

105 TANK CARS

No. 3, 105 tank cars carrying hazardous materials. The Board is heartened to see that new regulations issued on January 26, 1981, concerning the 105 tank car, cars which carry 18 percent of the Nation's hazardous materials shipments.

However, the Board is still concerned that the existing 105 tank cars carrying products which pose enormous risks of loss of life or serious injury are still not required to be fully protected by head shields. I know that some companies have without the impetus of Government regulation retrofitted their cars with safety equipment.

In this case, Mr. Chairman, Dupont comes to mind. Dupont has voluntarily acted in one of the most responsible manners that we have seen of any corporation shipping today. They voluntarily moved out before any requirement was laid for the jumbo tank cars. They viewed it from the point of view of assisting them in their business and they felt it was a good thing to do all the way round. They believe they have had excellent results and I would like to thank them, Mr. Chairman, for their efforts.

I also know that the cost per car for head shields is not great and the cost to society enormous in the event of a hazardous materials spill and worse still, it is unnecessary.

POSTCRASH SURVIVABILITY

No. 4, postcrash survivability for air carriers. Statistics continue to show that about 20 percent of all air carrier accidents in passenger operation involve postcrash fire, that about 25 to 30 percent of the occupants in five involved accidents die from all causes and that about 15 to 20 percent of those fatalities arise solely from the effects of fire or smoke.

I won't dwell on the statistics, Mr. Chairman, however, except to say that unless the FAA acts forcefully and decisively there will be no appreciable difference in these statistics in the foreseeable future.

Mr. Chairman, we are aware of FAA's proposed program to handle the postcrash fire problem. We are concerned, however, that FAA's program will once more postpone action in this area.

Ever since the 1961 crash of a United Airlines DC–8 in Denver, Colo., the FAA has promised action to deal with the dangers associated with toxic combustion of products of aircraft interior materials. No action was forthcoming.

Eleven years after the Denver accident two accidents in Chicago, 12 days apart, claimed 53 lives, 37 of them persons who survived the impact only to perish in the postcrash fire. The FAA once again promised action.

Five years later, 16 years after the Denver accident, a DC–9 en route to Atlanta crashed on a highway in New Hope, Ga. Of the 43 persons

who survived the impact 20 died from fire or asphyxia. Again the FAA promised action.

Nineteen years after the Denver accident, 7 years after the Chicago accident and 3 years after the Atlanta accident we have no assurances from the FAA of more study.

This promise comes on the heels of the loss of 301 lives on board an L-1011 owned by Saudi Arabian Airlines due to an in-flight fire. I wonder whether we must wait to have this happen in Boston, Los Angeles, or New York for the results to match the promises?

Mr. Chairman, I would just like to show you the Saudi pictures because you will note that there is a similarity between the Saudi pictures and the burn patterns there as you had with the BART system.

Mr. Chairman, it is simply not true that any improvements in postcrash survivability must wait some new technological breakthrough. Let's just take a moment to look at seat cushions and coverings, the largest single sources of combustible material in an aircraft cabin.

AIRCRAFT SEAT MATERIALS

The biggest breakthrough we have seen in this area has not come from the FAA but from the National Aeronautics and Space Administration, NASA, and private industry with the development of a new material called polyimide. It is this foam as I have it right here, sir. The tests to date have shown that this product will char but not spread flames or toxic gases.

If I could, Mr. Chairman, I would like to show you the material that is used presently. It is this right here and it is polyurethane. By the way, most of these fires, Mr. Chairman, are radiant heat. What we are looking at here is a piece of that product. What happens as you are looking at the smoke, you are not only getting smoke, and you can see the dripping, but you are also getting an enormous amount of toxic gas. These loadings in the aircraft are the thing that do it.

Now here is this new material, and excuse me while this other one is burning.

Senator ANDREWS. The fire extinguisher is right in front of you. [Laughter.]

Mr. KING. I have got the other material, polyimide, right in the flame of the other that is burning. You will note, Mr. Chairman, that it won't support fire. It will merely char.

What are the potentials of this? Well, there is the seat cushion, as you can see, and that would be obvious. But can it be applied to wall panels if it is made more rigid or other uses? We believe that that is an excellent possibility as does NASA. I merely wanted to demonstrate because you can imagine as you have seen enough seats in airplanes, sir.

Senator ANDREWS. Have you gone back to the plastic company that made this new substance and asked them if it can be fabricated into the particular densities that are used for covering and the other headliners and the rest?

Mr. KING. We don't do any R. & D. NASA assisted in the development of this product by private industry.

Senator ANDREWS. I know you don't do any R. & D. but the point is that obviously you have shown the committee two sets of plastic

products. You have shown them in the expanded types, in the installation mode, so to speak, the sound absorbing mode and obviously you know which company makes the two different types and maybe the same company makes the two different types.

All I am saying is did you think to write a letter to the company that makes the type you think is good and ask them if it could be fabricated into these other plastic types that would have broad application through aircraft cabins?

Mr. KING. Mr. Chairman, in this case it is International Harvester who is doing the work with NASA.

Senator ANDREWS. They have trouble selling tractors because the price of wheat is too low so they might look for a new market. [Laughter.]

Mr. KING. Well, the firm that developed polyimide is a subsidiary of International Harvester.

Senator ANDREWS. The point is did you contact them and ask them if this new product could in fact be formulated into those types?

FAA RESPONSIBILITY

Mr. KING. Mr. Chairman, what we have asked is that the FAA who is supposed to be doing this work, that they provide the leadership that is required of them as an agency. We are an accident investigation agency. I know what you are saying, Mr. Chairman.

Senator ANDREWS. You just told the committee that the FAA doesn't move fast and has sat on its duff for 15 years after you had told them about dangers and was not responsive. How do you expect the FAA to write a plastic manufacturer any faster than you can write a plastic manufacturer? This doesn't take research.

Mr. KING. Well, we are not the agency charged with aviation rulemaking. If FAA isn't apprised and part of the process as it goes then it delays any progress. So what we try and do is encourage FAA, prod them, if you will, to move in that direction.

Part of it is to change the philosophy. The FAA's philosophy is to deal with fuel fires. Their scenario of a postcrash fire is that the fuel vaporizes and ignites. That is the source of ignition. If you handle that you are not going to have a problem. We agree with them that this is important. We know that is a problem, but that isn't the end-all.

The next step is dealing with fire loadings in these various vehicles from another source of ignition which may include these. What we are trying to do is get the FAA to change its basic premise and its philosophy so that they will then work in a collaborative fashion.

FAA R. & D.

The other problem we had, Mr. Chairman, is they have a very large R. & D. budget. They do have people on the payroll. They can tell you how many days they were sick in the last 10 years and how many days of vacation. We would like to know what they were doing and that is what we are trying to do. We will work with the Federal agencies who are mandated to carrying this out.

By the way, we stay advised, for example, on products such as this. We are trying, quite frankly, to create a climate in which change can occur by the people who are supposed to be responsible for the change, for the people getting the salaries for working in that are and doing it in a constructive fashion.

So what we are really trying to do, Mr. Chairman, is to build some heat under FAA by clearly demonstrating to people such as yourself, sir, that some of these products are available. The idea of, you know, this is a never-never land, the products are coming available. This is one step.

Now, this is a new product, Mr. Chairman. It is brand new. It hasn't been around for years. It is brand new. But there have been other ways to look at this problem and we are not persuaded that FAA has taken that kind of a hard look.

Our hope, Mr. Chairman, by demonstrating this to you is that this committee might very well wish to raise some of these issues with the various administrations as they come forward to talk with you about their future, their plans and are they ever going to have timetables associated with it, sir. That is what we are looking for. Our hope is the persuasion. We have no other authority.

Senator ANDREWS. Well, that is what we intend to do and that is frankly why you were scheduled to come up before the FAA.

Mr. KING. Thank you, Mr. Chairman.

Senator ANDREWS. I have learned in the 16 years that I have been on this side of the table in appropriations testimony never to poach a witness because if you start poaching a witness you just draw out the hearings a lot longer than they ought to be.

But I can't really resist poaching a little bit by saying that if, in fact, you are as concerned as you say you are, and I believe you are, why when you take this package to the appropriations subcommittee and why when you say you are trying to make an impact don't you put together a little more complete picture?

It would have taken two or three phone calls and maybe four or five letters to find out whether this new plastic material actually could do all of these other things and you would have had a very neatly packaged presentation that would have been much easier for us then to tell the FAA, hey look, this can make the headlines, this can make the hard surface covering of the seat, this can make the padding and its cost component is in a ratio of such and so to such and so.

I am just, you know, a little perturbed that you get us nibbling at the cheese, you know, but you don't really have the trap out there because you haven't quite put your package together.

NTSB PARTICIPATION

Mr. KING. Well, Mr. Chairman, we have been participating with FAA and NASA and the manufacturer when they have had their group sessions. The industry is exploring the things that you have raised.

I think part of the question, at least in my mind, is I realize, you know, in your position you said well, why don't we tell FAA to do this.

Senator ANDREWS. I am not saying tell them. I am just saying why don't you put the package together. You aren't able to tell the commit-

tee today whether this new product that you brought up and demonstrated its relatively fireproof characteristics vis-a-vis the product they are now using, you aren't able to tell the committee whether this new plastic can be fabricated into the various modes that it has to appear in in an airplane cabin and you haven't been able to tell us what the relative cost is and what the availability might be or a whole host of other things.

Mr. KING. The industry is presently looking at that but we are not in a postion to do cost analysis.

Senator ANDREWS. Did you ask the questions?

Mr. KING. Yes, sir; they are presently working on it.

Senator ANDREWS. Were they able to tell you?

Mr. KING. They don't have an answer yet. They are working on it, sir.

Senator ANDREWS. They can't give you any figures on cost comparability?

Mr. KING. We don't get into that with them. What we did was to ask in the working groups are these things being looked at right now. They are, sir.

The question we are raising is and the contrast is that the agency mandated to do what you suggest is the FAA.

Senator ANDREWS. Sure, but you could help them a little by writing a letter, too, and find out a little bit more detail.

Mr. KING. We have; we meet with the industry, NASA and that group and these things that you have raised are being looked at at this time.

Senator ANDREWS. Well, if you find any more details before the record is closed, if you could put them in we would have a few more facts to deal with the FAA. I would appreciate it if at this point you submit for the record what correspondence your agency might have had with this manufacturer asking some of these questions that are obvious before we take the next step.

Mr. KING. As I suggested, what I could do is get the notes because we had representatives at various meetings.

Senator ANDREWS. Well, just supply for the record what questions you asked at these meetings and what answers you got and we will see how complete you tried to make the record.

Mr. KING. Excellent. Why don't we do that, Mr. Chairman.

[The information follows:]

Our contacts with the manufacturer of polyimide foam reveal that the fireproof characteristics of polyimide cannot be equaled by any other comparable products on the market today. This includes flammability, toxicity, and smoke characteristics as well as the weight of the product. The applicability of the polyimide foam is broad ranged and includes the use of this material as seat cushions, low-density wallboards, high-strength floor panels, and thermal-acoustical insulation.

While some variations of polyimide foam are presently in production, those intended for aircraft application still are in a developmental stage because they have to meet much more rigorous standards in their mechanical and durability properties than do the applications for other industrial uses.

With respect to the use of polyimide foam for seat cushion material, the manufacturer estimates that polyimide, with the qualities desired by seat manufacturers, will be available in 1982 at a cost that is competitive with high-quality polyurethane. It is our understanding that urethane sells for about $1.50 per board foot.

Our contacts with NASA reveal that the different aircraft applications of polyimide are being actively researched at the NASA/Johnson Space Center. Along these lines, the NASA/Ames Research Center is in the process of formalizing a program of weight optimization of fire-resistant seat material combinations which will include a 10-year economic impact study with respect to manufacturing and operating costs. It is our understanding that this project has NASA's top-priority attention.

FISCAL YEAR 1982 BUDGET REQUEST

Senator ANDREWS. Proceed.

Mr. KING. All right. Now let me turn briefly to our needs for the next fiscal year.

HUMAN FACTORS PROGRAM

The program increases reflected in our fiscal 1982 budget submission are in two areas. First and most important is the human factors program. The program will focus on airframe crash worthiness, survivability, and human performance.

The Board is a recognized authority in investigating and determining the probable cause of accidents. In even technically complicated accidents such as the Chicago DC-10 we are not, quite frankly, adequately staffed to investigate in-depth all accidents from a human factors side yet. Human factors are related to more than 85 percent of all general aviation accidents. Clearly the greatest potential for accident prevention lies in the human factors aspects of accidents.

Therefore, the Board must improve proficiency in this area. We have already taken steps for internal reallocations of positions to initiate an improved human factors program. The program will require 12 positions, 7 of which the Board has generated internally by reducing overhead. This, of course, was before the latest round of personnel cuts. Accordingly, we are asking for five positions and $228,000 to complete the program.

NEEDED LABORATORY EQUIPMENT

The second program increase requested is for the purchasing of specialized and badly needed laboratory equipment. The Board's laboratory is one of the most important investigatory tools and the technical heart of the agency. Time and again the analysis provided by the lab has proven to be invaluable in determining the probable cause of accidents and in developing safety recommendations.

For the most part the independent services the lab provides cannot be acquired elsewhere in a timely fashion. In fact, many foreign countries rely on the Board's lab for flight data recorder and cockpit voice recorder analysis. We have been regularly assisting in major foreign accident investigations through our agreement with the International Civil Aviation Organization, ICAO.

Sophisticated electronic and mechanical equipment must be obtained or upgraded periodically if the United States is to maintain its currency and position of international leadership. For example, the new generation of commercial aircraft now being built are expected to contain advanced flight recorders which will require totally new and redesigned readout equipment.

FISCAL YEAR 1982 BUDGET REQUEST

In summary the Safety Board's fiscal year 1982 budget request of $19,825,000 represents a 6.9-percent increase over the fiscal year level of $18,540,000. At this level of increase, Mr. Chairman, we should be losing the war with inflation. We are. Our capacity to continue to respond to catastrophic accidents and to provide needed oversight becomes increasingly more fragile.

A major part of the solution to these problems facing us is to continue to be more productive through searching out technological advances such as more automated equipment and to reevaluate the use of our existing personnel and dollars to be sure their contribution to our products is maximized.

Our budget document details some of the personnel reallocations and dollar savings we have accomplished to date and it is this type of dynamic management that will get the job done within the available resources.

Mr. Chairman, we are committed to the most efficient use of the resources available to us. We can assure the Congress and the public that past and proposed funds for the Safety Board have been and will be used as efficiently as possible.

I would like to thank you for your attention. We would be happy to answer any questions you may have.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF JAMES B. KING

Mr. Chairman and Members of the Subcommittee. I am pleased to appear before the Subcommittee today to present the Safety Board's budget request for fiscal year 1982. I welcome this opportunity to discuss the status of transportation safety in our Nation, and the Safety Board's efforts to improve it.

The American use of transportation is awesome. This is a Nation that takes pride in its superhighways, supertankers, jumbo jetliners and extensive rail and pipeline system. In 1980, automobiles alone logged more than 1 trillion vehicle miles over a highway system that covers an estimated 54,000 square miles -- an area a little less than the state of Indiana. In aviation, scheduled air carriers made more than 10 million takeoffs and landings in 1980 and more than 300,000 miles of railroad track knitted the Nation's cities and towns together, a network second in length only to the more than 400,000 mile intercity pipeline system that criss-crosses the continent.

In this century, more than 2 million persons have died in traffic accidents. Another 100 million have been injured. In 1980 alone, highway accidents claimed over 51,900 lives. General aviation flying resulted in 1,375 fatalities. U.S. air carrier accidents, including commuters, claimed 33 lives, and 1,480 other Americans died in commercial and recreational marine accidents. Railroad accidents claimed 528 lives and pipeline accidents produced 20 fatalities. In addition to personal tragedy, transportation accidents represent an economic cost to society second only to Cancer. Motor Vehicle injuries alone are estimated to cost our Nation an incredible $14.4 billion a year in long term health care expenditures and lost productivity -- a figure which is slightly above heart disease and over twice the societal costs of stroke.

To help counteract this tide, in 1974 Congress gave the National Transportation Safety Board the authority to conduct independent accident investigations in the five transportation modes -- aviation, rail, highway, marine and pipeline. In addition to its primary mission of accident investigation, the Board conducts special studies and evaluations, exercises oversight responsibility of other government agencies involved in transportation

safety, and makes safety recommendations designed to prevent the recurrence of accidents in all the transportation modes.

The foundation of the Board's work is its accident investigations. In 1980, the Board conducted a wide range of investigations — a sampling includes the ship collision with the Sunshine Skyway Bridge in Tampa Bay, Florida, a passenger train derailment in East Glacier Park, Montana and a pipeline explosion in an Independence, Kentucky schoolhouse. Board "go-teams" investigate major accidents such as the DC-10 tragedy at Chicago O'Hare in May of 1979. On 24-hour alert, a go-team is a group of Board technical experts who possess a wide range of accident investigation skills. In aviation, for example, a go-team roster could include one of the five Members of the Safety Board, an air traffic control specialist, a meteorologist, aircraft engine and structures technicians, as well as experts trained in witness interrogation, aircraft operations and maintenance recordkeeping. In the case of a railroad accident, the go-team format is similar, but the "specialties" vary and might consist of a track engineer and a signal expert, along with an intermodal human factors specialist, whose role would range from identifying the types and causes of accident injuries to determining the psychological factors contributing to the cause of the accident. The go-team operates under the party system in which the Board investigates each aspect of the accident with the full participation of representatives from the operator, manufacturer, regulatory agency and unions, companies, and agencies. The Board's independent leadership ensures the Congress and the public an objective and thorough investigation.

The Safety Board's mission is an enormous one, particularly in light of the Board's small staff and limited resources. To gain a proper perspective, one need only look at the size of our annual budget — a budget which would not run the Federal Aviation Administration for more than two days or the Department of Transportation for more than two hours. Given this reality, Mr. Chairman, I am particularly proud of the record of the Safety Board in achieving concrete improvements in transportation safety.

SAFETY ACCOMPLISHMENTS

You may recall that the last time I had the pleasure to appear before this Subcommittee I promised you that my major objective would be to improve the Safety Board's effectiveness -- to see that our accident reports, evaluations, and recommendations were translated into changes in the real world. Often, it may be difficult to notice these changes; for if the Board is doing its work well, it will be reflected in things that do not occur -- accidents that don't happen, lives that are not lost, pain that is not inflicted, business and commerce that are not disrupted. But by any measure, I can say with confidence that we have delivered on our promise. We are more effective, and more productive. The citizens who have supported us with their tax dollars have seen that investment returned several fold.

During the last year, we have seen safety improvements in several transportation modes. We feel that many of these improvements -- some just first steps -- would not have occurred without the work of the Safety Board.

For example:

-- In the early 1960's, the FAA announced that it was considering requiring infant/child restraint systems in air carrier aircraft. By the mid 1970's, we still had no protection being afforded infants. In 1978, the Board, concerned over this long period of inaction, urged the FAA to make child restraints a safety priority. Finally, just last month, the FAA issued preliminary regulations on infant/child restraint systems;

-- concerned about the lack of training for emergency personnel responding to hazardous materials spills, fires and explosion, the Board recommended that DOT bring together local, state and federal officials to improve planning for these accidents. As a result of this voluntary cooperation, improved techniques for coping with hazardous materials explosions were made available more quickly to those local officials on the front lines. This new training -- brought about without new Federal regulation -- is now saving lives;

-- today, as a result of the Board's pressure through recommendations, public hearings and Congressional testimony, every jumbo 112A-114A tank car carrying hazardous materials on our Nation's rails is protected by a head

shield and shelf coupler. We are also pleased to see that the Materials Transportation Bureau (MTB) has issued final safety regulations which apply to the 105 tank car -- a type tank car which carries approximately 18 percent of the Nation's hazardous materials shipments. Since 1978 the Safety Board has urged the Federal Railroad Administration and the Materials Transportation Bureau to require the installation of head shields and shelf couplers on all 105 tank cars. While the new regulations do not go as far as we would like to see -- there is no requirement for retrofitting those 105 tank cars which carry hazardous materials and were manufactured before March 1981 with head shields -- we feel these rules are an enormous step forward;

-- just one year ago, concerned with escalating accident statistics, the Safety Board convened a public hearing to examine safety problems confronting the commuter airline industry and the Federal Aviation Administration. Today, one year later, statistics show fatal commuter accidents down 57 percent and fatalities down 65 percent. Although we cannot claim direct credit for reducing the accident rate, there is no question that the Board's leadership brought prompt action by both the industry and the FAA. It is too soon to say that the commuter industry has turned the corner on all safety problems, but 1980 clearly demonstrates a vast improvement.

MANAGEMENT EFFECTIVENESS

These are just a few of the many safety accomplishments in which we have played a significant role. The Board has been able to play this role largely through its stature as an independent agency and the effective management of its limited resources -- management which has resulted in tremendous strides in efficiency and productivity.

The following chart shows this achievement and is based on the productivity indices used by the Bureau of Labor statistics.

I seriously doubt if many agencies could match the Board's productivity increases over the past 3 years. In fact, the average productivity increase for the Board almost doubled during this time period. This increase is particularly impressive when one realizes that total government-wide productivity over the last 13 years has increased an average of only 1.4 percent

per year. This chart demonstrates an overall increase in Board products, an increase which means more accidents investigated, more reports published, more recommendations made; in short, doing more with less. I believe with just a few more resources we can achieve even greater safety. Our record shows that an arithmetic increase in Safety Board resources can produce a geometric increase in safety benefits. Few agencies can show a more impressive cost benefit ratio.

SAFETY CONCERNS

Before I summarize our resource requirement for FY 82, I want to mention some of the safety areas the Board intends to pursue during the next fiscal year.

1) Transportation of Hazardous Materials by Truck -- Mr. Chairman, over 90 percent of the hazardous materials incidents and accidents occur in the highway mode. 65 percent of the reported injuries and 80 percent of the fatalities from these accidents occur as a result of tank truck accidents. In its FY 1981 Appropriations Report for this Agency (SR 96-377), the Senate Appropriations Committee directed the Safety Board to undertake an evaluation of the enforcement efforts of the DOT with regard to safe transportation of bulk hazardous materials by truck.

The Board's evaluation found the current DOT enforcement effort is seriously deficient in that DOT: 1) does not have accurate data concerning the characteristics of highway hazardous materials transportation, including information on overall industry compliance with Federal regulations; and 2) has not coordinated the hazardous materials enforcement activities of its several modal Administrations (even the Bureau of Motor Carrier Safety's enforcement efforts may vary from region to region).

The Board also criticized the Bureau of Motor Carrier Safety for 1) not developing necessary criteria to determine which companies to audit, whether and how to develop enforcement cases, and how to determine the appropriate level of civil penalty; and 2) not evaluating the effectiveness of its various enforcement activities. As part of its study, the Board also evaluated programs dealing with hazardous materials truck safety in 24 States. The Board concluded that although many States have laws and

regulations governing transportation of hazardous materials, few States have a cohesive enforcement program, even in the highway mode. Responsibility for enforcement is often fragmented among several State agencies. The Safety Board found that State efforts to regulate hazardous materials transportation are often hampered by such problems as inadequate and uncertain funding, too few personnel, inadequate data processing facilities, and ineffectively low fines or penalties. Of 24 States evaluated, the Safety Board found that only Illinois currently has a reasonably comprehensive hazardous materials truck enforcement program with a large, trained staff, suitable data processing facilitie effective interagency coordination, and an organized sanctions system with large civil penalties available. We have made a number of recommendations to the DOT to correct these problems, and we will continue to monitor this area closely.

2) Rail Rapid Transit -- rail rapid transit safety has an excellent safety record, but a near catastrophic fire in the San Francisco subway dramatized the possibility of a similar accident with over one thousand fatalities

The Board's examination of the current approach to rail rapid transit safety indicates that it has been largely reactive, rather than preventive. The current safety approach has consisted of fragmented efforts by individual transit systems, whose resources are relatively limited, to address industrywide safety issues on a site-by-site and often ad hoc basis, with little or no external safety oversight. This approach too often has resulted in the use of combustible and toxic materials in construction of transit cars, inadequate ventilation systems in tunnels, insufficient provisions for evacuating passengers and the lack of adequate emergency procedures.

At the state or local level, safety oversight is virtually nonexistent. At the Federal level, the Urban Mass Transportation Administration (UMTA) in the Department of Transportation has the primary responsibility for overseeing rail rapid transit safety. However, UMTA maintains it lacks sufficient authority and resources to do an effective job, and UMTA construes its safety role narrowly.

In July, the Board brought together transit management and labor, fire service officials, representatives of the American Public Transit Association

(APTA), and Federal and state regulators to urge a more coordinated approach to rail rapid transit safety so that when the billions of dollars of Federal transit grants are expended over the next ten years, safety considerations will be taken into consideration in the initial design of the systems and of their operation -- not an expense for retrofits.

3) 105 Hazardous Materials Tank Cars -- the Board is very pleased to see the new regulations issued on January 26, 1981 concerning the 105 tank car. However, the Board is still concerned that existing 105 tank cars carrying products which can pose enormous risks of loss of life or serious injury are still not required to be protected by headshields. I know that some companies have already -- without the impetus of government regulation -- retrofitted their cars with headshields in this manner (DuPont). I also know that the cost per car for head shields is not great -- and the cost to society enormous in the event of a hazardous materials spill.

It is difficult to imagine the amount of hazardous materials -- vinyl chloride, anhydrous ammonia, liquid petroleum gas or hydrocyanic acid -- carried on our Nation's rails every day. We know, for example, that 100 car trains carrying such products travel through some major industrial cities in the Midwest on a weekly basis. The potential for disaster is always there. We feel that the proverbial "ounce of prevention" can and, indeed, does save lives. We are seeing this more and more in the accidents we investigate where prevention -- in this case head shields and shelf couplers -- has clearly worked to save lives and property.

4) Post-Crash Survivability for Air Carriers -- statistics continue to show that about 20 percent of all air carrier accidents in passenger operation involve post-crash fire; that about 25 to 30 percent of the occupants in fire-involved accidents die from all causes; and that about 15 to 20 percent of these fatalities arise solely from the effects of fire or smoke. I will not dwell on statistics, however, except to say that unless FAA acts forcefully and decisively, there will be no appreciable difference in these statistics in the foreseeable future.

Mr. Chairman, we are aware of the FAA's proposed program to handle the post-crash fire problem. We are concerned, however, that FAA's program will once more postpone action in this area. Ever since the 1961 crash of

a United Airlines DC-8 in Denver, Colorado, the FAA has promised action to deal with the dangers associated with toxic combustion of products of aircraft interior materials. No action has been forthcoming. Eleven years after the Denver accident, two accidents in Chicago 12 days apart, claimed 53 lives, 37 of them persons who survived the impact only to perish in the post-crash fire. The FAA promised action. Five years later, 16 years after the Denver accident, a DC-9 enroute to Atlanta crashed on a highway in New Hope, Georgia. Of the 43 persons who survived the impact, 20 died from fire or asphyxia. Once again the FAA promised action. 19 years after the Denver accident, seven years after the Chicago accident, and 3 years after the Atlanta accident, we have new promises from the FAA of more study with no timetable for completion.

Mr. Chairman, it is simply not true that any improvements in post-crash survivability must await some future technological breakthrough. Today we have products on the shelf that if put into the planes will start saving lives. All that is lacking is the will to make change occur.

Seat cushions and coverings constitute a major source of combustible materials in an aircraft cabin. I think that it is interesting to note, Mr. Chairman, that the biggest breakthrough we have seen in the area of seat cushions has come not from the FAA -- but with the development for NASA by International Harvester of a new material called polyimide resilient foam. Tests to date have shown that this product -- used in seat cushions -- will char but will not spread flames. Moreover, polyimide foam will not only resist ignition but it does not give off toxic gases or smoke.

5) General Aviation — in general aviation, the Board has been troubled about the lack of progress in developing new, current crashworthiness structural design standards. The critical need for such standards was formally identified as early as 1943 and recommendations for shoulder harnesses were made as far back as 1964.

We know that the crash forces involved in many general aviation accidents are within human tolerance levels, and that fatalities occur from lack of restraint systems, poorly designed seats, contact with cabin interior, and cabin structure collapse, among other reasons. For example, general

aviation seats are required only to withstand 9 g's forward which is approximately one-fifth of the human tolerance level and less than one-half of the current 20 g design for most automotive seats. A 1971 FAA special report concluded, "in fact, of all vehicles designed for human transportation, the so-called general aviation aircraft offer the least protection from, and chances of survival in, crash deceleration." In 1980, we lost 1,375 lives in general aviation accidents. The total accidents numbered 3,799. We feel that it is past time to aggressively seek stringent crashworthy structural design standards for general aviation aircraft.

6) Cruise Ship Safety -- as a result of its investigation of the loss of the Angelina Lauro, an Italian cruise ship destroyed by fire in March of 1979, the Board has been concerned about the level of fire protection being afforded passengers aboard some foreign cruise ships which use combustible materials in their construction. As a result, the Board is urging the Coast Guard to: 1) tighten its examination of foreign vessels with combustible material construction; 2) require improvements in the automatic fire detection and extinguishing systems as well as increased fire drills aboard these ships; and 3) require more realistic firefighting training for both ships officers and crewmen.

7) Highway Safety -- in the highway area, the problems of system deterioration, rising maintenance costs and decreasing road funds are of extreme concern to local, state and national highway agencies. We at the Safety Board are also concerned because we have a different perspective on the problem. We have already expressed the fear that the money pinch will mean that road resurfacing will be accomplished -- with official blessing -- at the expense of a general reduction, or even outright elimination, of long-accepted safety design criteria. Although the Board acknowledges that, theoretically, it may be possible to reduce specific design criteria under particular circumstances with no negative impact on safety, highway officials acknowledge that little is known about the appropriate degree of such changes or the circumstances in which they may effectively be undertaken. Given the widespread lack of information in this area, the Board believes that it is irresponsible, from both a safety and a cost point of view, to abandon the concept of minimum national design standards for all Federally

aided highway projects. The Board has repeatedly urged the Federal Highway Administration, in comments on a number of recent rulemaking proposals, to permit exceptions to the current minimum standards only on a limited basis, until such time as an analysis can be made of the potential cost and safety impact of changes in the minimum criteria.

Now, let me turn briefly to our needs for the next fiscal year.

The program increases reflected in our FY 82 budget submission are in two areas. First and most important, is the human factors program. The program will focus on airframe crashworthiness, survivability, and human performance.

The Board is a recognized authority in investigating and determining the probable cause of accidents, in even very technically complicated accidents such as the Chicago DC-10. We are not, quite frankly, adequately staffed to investigate in depth all accidents from the human factors side. Human factors cause more than 85 percent of all general aviation accidents. Clearly the greatest potential for accident prevention lies in the human factors aspects of accidents. Therefore, the Board is determined to improve proficiency in this area. We have already taken steps through internal reallocations of positions to initiate an improved human factors program. The program will require 12 positions, 7 of which the Board has generated internally by reducing overhead. Accordingly, we are asking for 5 positions and $228,000 to complete the program. The program will have two major components, crashworthiness/survivability and human performance.

Aircraft crashworthiness and accident survivability are a major focus of the program which will encompass the following areas: kinematics, fuselage deformation, seating restraint systems, injuries, post-crash fires, evacuation, and crash fire rescue. The major concerns are in identifying the causes of the human injury and determining whether design changes could be made to create a more forgiving environment. The results will be to reduce fatalities and injuries even though the accidents still happen.

Human performance will include training, experience, emergency procedures, medical factors, such as pathological and physiological problems, and environment and work space factors.

The improved accident data system, which you approved last year, gives us the means to improve data collection and analysis of human factors in accidents. We have begun to move forward on this program. The hardware is in place, new data collection forms have been designed, and we will begin a field test this Spring.

The second program increase requested is for purchasing specialized and badly needed laboratory equipment. The lab provides support to accident investigation in four critical areas; flight data recorder, cockpit voice recorder, aircraft performance, and metallurgical analysis. The Board's laboratory is one of its most important investigatory tools and the technical heart of the Agency. Time and again, the analysis provided by the lab has proved to be invaluable in determining the probable cause of air accidents and in developing safety recommendations.

For the most part, the independent services the lab provides cannot be acquired elsewhere in a timely manner. In fact, many foreign countries rely on the Board's lab for flight data recorder and cockpit voice recorder analysis. We have been regularly assisting in major foreign accident investigations through our agreement with the International Civil Aviation Organization. It is implicit in the agreement that the U.S. will support its aviation products and assist on accident investigations. The FAA's expanded use of recorded automated radar data has increased the information available to the Board for analysis.

Sophisticated electronic and mechanical equipment must be obtained or upgraded periodically if the United States is to maintain its currency and position of international leadership. For example, the new generation of commercial aircraft now being built are expected to contain advanced flight recorders which will require totally new and redesigned readout equipment. In total, $57,000 is required for the acquisition of 1) an upgraded flight data recorder readout system; 2) a universal recorder readout facility; 3) audio notch filters for cockpit voice recorder output analysis; 4) portable nondestructive testing equipment; and 5) other miscellaneous laboratory equipment.

In summary, the Safety Board's total FY 1982 budget request of $19,825,000 represents only a 6.9 percent increase over the FY 1981 level of $18,540,000. This number includes three significant items which must be viewed in more detail.

The first and most significant is a reduction of 21 permanent positions and $707,000. Losing 5.6 percent of our employment ceiling will affect our output, but we are attempting to minimize the impact so as to sustain our growth in productivity, and maintain our product quality. The inescapable impact, however, is that our ability to respond to, and effectively analyze a transportation accident becomes increasingly fragile. In critical skill areas, such as cockpit voice recorder analysis, human factors, structures, systems, and helicopter specialties, we are only one-deep. This will create serious performance problems if we are not allowed to back up all these positions.

The second significant segment includes funding 1) for the additional human factors staffing and laboratory equipment previously discussed, and 2) for the human factors effort begun with internal staffing reallocations. These funds will buy additional autopsies, parts and component testing, investigative equipment, investigator training, and studies on crash injury causation, airframe crashworthiness and airframe occupant protection. The total dollars in this category represent a 2.8 percent real increase over the FY 1981 program, and in view of our productivity and safety effectiveness, I do not hesitate to say it is money that will be well spent.

The third segment deals primarily with cost increases for the same level of effort, and includes $990,000 for the effect of the mandated 1981 pay raise in FY 1982, and $736,000 primarily for non-labor inflation. This last item again provides a significant challenge to the Board's managers. Keeping in mind that inflation has been 12 percent to 13 percent annually, our budget request for inflationary increases is only 9.3 percent. If we single out services provided by other government agencies, we see their increases estimated at 33 percent. The largest single percentage increase in our request is 49 percent for our rent payment to the General Services Administration, and we are talking about an increase of $451,000. Not

only do these agencies' increases squeeze the little discretionary funding available to us, but further convince me that the Safety Board is one of the best examples of efficient management the Federal Government has.

No doubt these numbers beg several questions relative to the impact and anticipated actions necessary to deal with fewer resources, and I do not have the entire answer at this point. However, a major part of the solution is to continue to be more productive through searching out technological advances such as more automated equipment, and to reevaluate the use of our existing personnel and dollars to be sure their contribution to our products is maximized. Our budget document details some of the personnel reallocations and dollar savings we have accomplished to date, and it is this type of dynamic management that will get the job done within the available resources.

Mr. Chairman, we are committed to the most efficient use of the resources available to us. We can assure the Congress and the public that past and proposed funds for the Safety Board have been, and will be, spent as efficiently as possible.

Thank you for your attention. We would be happy to answer any questions you may have.

BIOGRAPHY OF JAMES B. KING

Mr. James B. King was appointed to the National Transportation Safety Board by President Carter in October 1977. Prior to this appointment, Mr. King served in the White House as Special Assistant to the President for Personnel.

Before coming to Washington, Mr. King was the Director of Community Affairs and Marketing for the Massachusetts Bay Transportation Authority in Boston. Prior to that, he was Special Assistant to Senator Edward M. Kennedy; Director of Programs for the Aging, City of Holyoke; and Associate Commissioner of Community Affairs, Commonwealth of Massachusetts, under Governor John Volpe. He has also worked as a teacher, investigator, newsman, and researcher.

Mr. King received his Bachelor's degree from American International College in Springfield, Massachusetts. A Fellow of Harvard University John F. Kennedy School of Government, Mr. King has completed the Harvard University Business School Program for Senior Managers in Government. He holds a certificate in Transportation Systems Management and Analysis from the Massachusetts Institute of Technology. He also holds certificates in aircraft accident investigation, crash survival management, air transportation of hazardous materials, aviation pathology, parachuting, Wagner Lockheed skid control systems for heavy-duty trucks, highway accident investigation, railroad track and structures, safety evaluation of gas pipeline systems, industrial fire protection, liquefied natural gas (LNG) fire prevention and control, and natural gas fire emergency procedures.

He was born in Ludlow, Massachusetts. He and Mrs. King have five children and reside in Northern Virginia.

BIOGRAPHICAL NOTES ON STAFF OF
NATIONAL TRANSPORTATION SAFETY BOARD

Michael Cushing, Managing Director, ES-6
b. 1947; 1968-69: Staff Writer, Commission on Governmental Operations, State House, Boston; 1969: Special Assistant, Commonwealth of Massachusetts; 4/1970-6/1970: Campaign Manager, Houton for Congress; 6/1970-12/1970: Assistant Field Coordinator; 1971: Administrative Assistant, King County Prosecuting Attorney; 1972: Legal Intern; 1973: Law Clerk; 1974-76: Chief, Executive Assistant, Orange County Board of Supervisors; 1976-77: Administrative Assistant, U.S. House of Representatives; 1/77-11/77: Associate Special Assistant (Operations), The White House; 1977-80: Special Assistant and Counsel to the Chairman, NTSB; 1980-present: Managing Director, NTSB.

Lloyd F. Miller, Deputy Managing Director, ES-6
b. 1934; BA, Psychology, Trinity U.; MPA, Transportation Public Policy, American U.; 1956-57: Army, Arty; 1956-61: Managment Intern, Qualifications Rating Examiner, Employee Development Officer, Management Analyst, U.S. Civil Service Commission; 1961-63: Management Analyst, Agency for International Development; 1963-65: Chief, Operations Improvement Branch, AID; 1965-66: Chief, Organization and Management Branch, AID; 1966-68: Spec. Asst. to U.S. Sen. Wm. B. Spong, Jr. (D-Va.); 1968-Present: Deputy Managing Director, NTSB.

James W. Danaher, Deputy Director for Operations, Bureau of Accident Investigation, ES-4. b. 1929; 1958-62: Senior Research Scientist, Courtney and Company, Inc.; 1962-76: Chief, Human Factors Division, NTSB; 1976-79: Chief, Operational Factors Division, NTSB; 1979-present: Deputy Director for Operations, Bureau of Accident Investigation, NTSB.

Samuel W. Sweet, Jr., Director, Bureau of Technology, ES-6
b. 1933; BSCE, Civil Engineering, Pennsylvania State U.; 1955: Stress Analyst, McDonnell Aircraft Co.; 1955-58: Fighter Interceptor Pilot, USAF; 1958-61: Structural Engineer, Brookhart & Tyo; 1961-65: Civil Engineer and Aerospace Engineer, Middletown Air Material Area, Dept. of AF; 1965-73: Aerospace Engineer, CAB/NTSB; 1973-76: Chief Aircraft Factors Branch, NTSB; 1976-80: Deputy Director, Bureau of Technology, NTSB; 1980-present: Director, Bureau of Technology, NTSB.

Roy W. Anderson, Director, Office of Evaluations and Safety Objectives, GS-15
b. 1933; BS Civil Engineer, Texas Tech. U.; MS Transportation, U. of California, Berkeley; 1953-55 Army; 1961-63: Assistant Engineer, California Department of Public Works; 1963-56: Assistant Resident Engineer, California Department of Public Works; 1966-68: Assistant Liaison Engineer, California Department of Public Works; 1969-72: Traffic Safety and Control Engineer, California Department of Public Works; 1972-76: Traffic Engineer, NTSB; 1976-79: Chief, Governmental Liaison Branch; 1979: Director, Office of Evaluations and Safety Objectives.

Paul M. Voorhees, Comptroller, GS-13
b. 1947; BA, Business Administration 1971, BA Economics 1974, Washington State University, MBA Seattle City College 1978; 1971 - 1973: Financial Management Intern, Army Material Command; 1974 - 1978: Budget Officer, Strategic Weapons Facility, Pacific (Navy); 1978 - 1980: Comptroller, Naval Support Activity, Seattle; 1980 - present: Comptroller, NTSB.

FEDERAL REGULATIONS

Senator ANDREWS. Chairman King, in your opinion do we have too much or too little Federal safety regulation?

Mr. KING. I don't know. The amount of regulation depends on what mode you are in. When you say Federal safety regulations, if you are in aviation it is next to impossible to have any changes or any technological advances made without rulemaking. Part of it is to protect the manufacturer on liability. He builds to the specs and the standards laid out. So you get us into legal questions which we are not involved in at any time. At least that is what I am told by many of the people in the industry.

On the other hand, on our pipeline side, and I am using, you know, the two extremes, we send the vast majority of our safety recommendations directly to industry. As a matter of fact, on our recommendations industry has been far more responsive than Federal agencies. So in the pipeline area the response in the private sector is the highest that we have.

Senator ANDREWS. I am not talking about recommendations. I am talking about regulations.

Mr. KING. Well, as you know, Mr. Chairman, we are not a regulatory body.

Senator ANDREWS. I know that, but you are a group that investigates.

Mr. KING. Right.

Senator ANDREWS. That is why I was asking your opinion about whether we have too much or too little Federal safety regulations. You just testified before the subcommittee that in many instances they are not carrying forward the information that you give them and putting it into regulations so that there is some teeth in it to protect the general public.

We all know we have got a surplus of regulation X, Y, Z, and you name it. Are we getting so bogged down with crossing the t's and dotting the i's that the big ones, some of which you pointed out, are escaping us? What is the situation? Do we have areas where you could recommend a reduction in Federal regulations so we could maybe focus on a few more important ones in view of the increased public sentiment for fewer Federal regulations? What suggestions can you make as to where the line should be drawn?

Mr. KING. I think on the safety regulations, the ones that we have worked with, generally when we say too few or too many I think it is a question of tradeoffs. If you do have a regulatory framework which is your way to achieve change and to enhance safety there are some tradeoffs involved.

I don't have any idea whether it is too few or too many. I think the necessary part is not so much the number but are they effective.

RISK-FREE TRANSPORTATION

Senator ANDREWS. Well then let me ask you another question. How far do you think the Federal Government should go toward trying to guarantee risk-free transportation?

Mr. KING. I don't believe that we live in an accident-free environment and I don't believe we ever will. I think what we are talking about are cutting down the odds on certain types of identifiable accident situations, whether it is on the highway or whether it is in railroads or whether is it marine. You can take your pick. The real question is how you go about it.

The regulatory agencies, unlike us, and we will make suggestions through our recommendations and our ongoing contacts with them, have to evaluate those in a totally different climate. I think you put your finger on it. What are some of the cost implications? How does it affect the industry? What about the longevity of the particular product they are talking about, et cetera. They look at that and they evaluate it and then we have that discussion, if you will, in the public arena.

TRANSPORTATION ACCIDENT COSTS

I think one of the questions, well, one that hits me is one that I read in the paper the other day. In 1978 the costs for cleaning up after certain types of rail accidents, this was the jumbo tank cars, was about $11 million a year on an average on a 10-year average. There were 46 people injured, I believe, and 2 fatalities at Pensacola. This was an anhydrous ammonia spill. They just settled out of court I believe the other day, I read in the newspaper, for about $11.5 million.

So, if you will, just on one family the total cost was $11.5 million. Now, what are the implications. None of those costs show on any of the railroad cars. It comes down in the insurance. It is going to show up on the casualty side. It is going to come in insurance and it is going to affect every person in America. I am talking about one family at one accident.

You go down the road to Youngstown, Fla., where they had a chlorine spill, that was $4.5 million. That is the same year.

So in 1 year on two things that directly affect insurance rates which affect all of us you are talking about $16 million which is in excess of cleaning up all the railroad accidents we had that year. So was it cost effective? It depends on what set of numbers you use.

If you are talking about highway, does anyone weigh in the 14.5 billion dollars' worth of medical expenses directly tied to highway accidents? Is that put into the equation when the decision is made?

Many of the equations we use, Mr. Chairman, are incomplete. Do they have all the data? Then I think of public policy. That, Mr. Chairman, is where this committee and Members of Congress come in. It then is a public policy decision and we abide by the public policy decision.

We just want to be certain all the facts are on the table and everybody understands what they are looking at. If a decision is made that it is not worth going forward, then so be it. Then it has been an intelligent decision made and we yield to that.

Senator ANDREWS. But to get back, how far do you think the Federal Government should go toward trying to guarantee risk-free transportation?

Mr. KING. We are not talking risk-free but we are talking about reducing the risks. Let me give you an accident that never happened

since we weren't directly affected. The Coast Guard felt that chlorine barges, the tank used to be 2 feet back from the edge of the barge and they changed it to 4. They had never had an accident. They didn't have a puncture with that. They did it. They felt it would be safer.

In Louisville they hit a dock. It penetrated 3½ feet. The Coast Guard did a scenario using weather and they used their run-through on it and they estimated there would have been 7,000 people killed in Louisville had that puncture occurred and hadn't they moved the tank back. It didn't happen. Can you believe what would have happened in an industry if we had had that kind of an accident of trying to transport chlorine in this country?

Those are the kinds of things that I think have to be weighed, the climate in which you operate in the transportation of hazardous materials. We believe the 20th century continues to be served in a technological society by the movement of these materials.

VIRGINIA BUS ACCIDENT

Senator ANDREWS. Well, a week or so ago there was this bus crash out in Washington.

Mr. KING. Yes, sir.

Senator ANDREWS. What part should the Federal Government have played or what could we have done, and hindsight is 20–20 always, but what could the Federal Government have done that would have precluded that tragic crash?

Mr. KING. Well, first, we are working with the Virginia State Police.

Senator ANDREWS. Well, I know you are working. I have seen all the pictures of everybody standing around looking very concerned and all of that. You are beginning to find out what caused the crash.

Mr. KING. Yes; we are looking at it.

Senator ANDREWS. In this kind of beginning what could the Federal Government have done that would have precluded that crash?

Mr. KING. I don't know what the Federal Government could have done to preclude it.

Senator ANDREWS. Well, the State government or the local government or whoever else.

Mr. KING. That is what we are going to be looking into. This weekend and following that we are going to be looking at similar types of vehicles to see whether we can see some similar patterns.

I think one of the questions before us is that to preclude this particular accident, and we have gone through several, but one is to deal with the vehicle. So it would be a question then of what type of inspection? Should there be an inspection after *x* number of miles on this type of vehicle?

I think one of the things we are talking about, too, are barriers, of had there been a particular barrier that the bus struck been able to retain it and redirect it and kept it on the highway even if it didn't have steering capability.

Senator ANDREWS. I thought we had those new barriers in place on our interstates.

Mr. KING. I would like to think that is true.

Senator ANDREWS. I think that has been an ongoing program on the interstate highway construction to fix these guardrails so that they lift up an automobile or a bus or a truck and slide it along so if you hit it it doesn't come up to a head-on crash. I thought we had retrofitted the interstate system largely on that.

Mr. KING. No, sir.

Senator ANDREWS. Gosh, when I drive around Virginia I see all kinds of new railings and what-not going in. I assume they are part of that program.

Mr. KING. Well, there are a couple of programs. I have Mr. Anderson here and we could talk to crash barriers.

Senator ANDREWS. Is that section of that particular highway one that meets these design safety specifications?

Mr. KING. We have not completed the entire dynamics of this particular accident to see precisely what the entire sequence was. As soon as we do we can get back to you, Mr. Chairman.

Senator ANDREWS. Well, just provide for the record whether that particular part of that highway was in effect designed to meet the new crash safety standards.

[The information follows:]

The W-beam guardrail at the point of impact and leading to and attached to the bridge parapet was not designed to meet current guardrail design standards. Current designs call for the guardrail to be 27 inches above the ground level of the shoulder. When installed in 1962, the guardrail was 25 inches above ground level. A safety improvement project in 1972 attached the guardrail to the bridge parapet. The design height was again 25 inches. Over the years, dirt buildup along the shoulder reduced the height to 21 inches. After the accident the damaged guardrail was replaced by a new rail at the same height. However, the post spacing of the replacement guardrail was reduced from 6 feet 3 inches to 3 feet 1.5 inches near the parapet to meet today's standards.

If the impacted guardrail had been installed at the recommended height of 27 inches and proper post spacing, it probably would not have contained and redirected the accident bus. These W-beam guardrails are designed to contain and redirect a 4,500-pound automobile at a speed of 60 miles per hour and an impact angle of up to 25 degrees.

PRODUCTIVITY

Senator ANDREWS. I am beginning to wonder whether you have got somebody in your shop that used to work for J. Edgar Hoover about a decade ago because it sure looks like the hearings he used to present. He had more figures on how many new crimes had been solved and how many arrests had been made and how many people have been apprehended and how many dollars' worth of goods. The only thing is each year the crime rate kept getting tougher and tougher. The FBI was out there and they were doing more and more.

You list them the same way. You talk about the number of public hearings, the number of investigations and the number of recommendations. At one point you even list the number of press releases you produced.

Now, you know, do you measure the number of press releases to give you this productivity output thing? I assume there is some weight you give that. Or did you mention the press releases just so that we knew that you were in fact putting them out.

Mr. KING. Our press releases, I must say, I think certainly in comparison to what you are familiar with in Washington, would be considered dull in the extreme. They are generally issued, and newspapers occasionally use them, but what they are directed toward generally are the technical print press and the technical media. Our press releases are factual kinds of releases out of accidents that we have done and what we have identified as safety problems.

Senator ANDREWS. Well, certainly, everybody's are.

Mr. KING. I would like to send you a copy of ours. I would say on some of our releases if some evening you had difficulty getting to sleep you could read a few of ours and I could assure you of sound sleep.

RECOMMENDATIONS

Senator ANDREWS. Well, could you submit for the record some examples of the recommendations of the Board that actually resulted in a reduction in the number and severity of accidents?

Mr. KING. Oh, surely.

Senator ANDREWS. Just put that in the record.

[The information follows:]

Ground Proximity Warning Devices

On January 17, 1969, the Safety Board recommended that ground proximity warning devices (GPWD) be installed on air carrier aircraft to prevent the high number of fatalities due to controlled flight into the terrain during instrument flight conditions. While the FAA initially rejected this recommendation, subsequent documentation and three additional recommendations by the Safety Board were successful. In December 1974, GPWD's were required for air carrier aircraft. From 1971 and up to the time GPWD's were installed, the number of fatalities was increasing rapidly -- almost 600 were recorded in 1974. The number of fatalities dropped dramatically during the first year GPWD's were installed, continued to reduce to zero during the following year, and have remained insignificant since. For example, only 6 fatalities are recorded since 1976 for U.S. air carrier aircraft where controlled flight into the terrain involved.

Commuter Airline Safety

Since its establishment, the Safety Board has followed closely and been concerned about safety in the commuter airline industry. In 1972, the Safety Board published a study which identified numerous changes necessary to correct recurrent safety deficiencies identified during investigations of air commuter aircraft crashes. Because of increasing numbers of air commuter aircraft crashes between 1977 and 1979, the Safety Board undertook a campaign to convince the FAA to implement an enchanced surveillance and enforcement program designed to reduce air commuter accident and fatality rates and to encourage the commuter industry to solve its safety problems. Investigatory work performed in 1979 and the En banc hearing conducted in 1980 was able to focus needed attention upon this safety problem and able to convince the FAA to redesign its air commuter safety program. While it is too soon to say that the FAA and the air commuter industry have turned the corner on all identified safety problems, fatal commuter accidents are down 57 percent and fatalities are down 65 percent. Certainly, the Board's efforts have played a role in this improvement. Using any of the indexes for comparing performance our latest statistics show that the air commuter industry's fatality rate dropped about 50 percent below the 1979 rate.

Railroad-Highway Grade Crossing Safety

As a result of its investigation of a grade crossing accident in Des Moines, Iowa, the Safety Board identified the need for directed action to reduce the hazards posed by railroad highway grade crossings. A program operating in seven states entitled "Operation Lifesaver" was evaluated and found to offer substantial opportunity for correcting problems related to the causes of grade crossing accidents. Therefore, we recommended (RHR-77-2) that the National Safety Council develop and implement a national voluntary grade crossing safety program using "Operation Lifesaver" principles. This program has grown to include 28 States (6 additional States are expected to implement programs by the end of 1981)which have increased their efforts to educate the public of grade crossing hazards, enforce laws applicable to grade crossings, and to increase their engineering efforts for improving grade crossings. In those States (17) where the program has been operational for 2 years or more, the National Safety Council statistics show that fatalities at grade crossings have decreased 20-25 percent, injuries have decreased approximately 9 percent, and total accidents have been reduced by 13 percent. This nonregulatory program operated by the National Safety Council has motivated resources in the States which otherwise would not have been active in grade crossing

safety by bringing together in a cooperative program the resources of State Federal, and local governments; individual railroads and railroad and other associations; local and national safety organizations and labor organizations. This example demonstrates how the Safety Board, as a catalyst, has effected voluntary action which has resulted in safety improvements.

Rail Tank Cars

From 1968 through 1978, rail tank cars have been involved in many serious accidents where the release of hazardous materials resulted in death, injury, and massive property loss. Safety Board investigations of these accidents identified a number of safety problems and recommended actions for the improvement of DOT Specification 112/113 tank cars to reduce the danger to the public from such accidents. Because Federal agencies and the railroad and tank car industries were slow to act -- 10 years had lapsed since the first Safety Board recommendation for correction -- the Safety Board convened a hearing to identify the causes of the delays and to bring about acceleration of corrective actions. This hearing and our subsequent monitoring resulted in accelerated rulemaking by the FRA and accelerated implementation by the tank car and railroad industries to install top and bottom shelf couplers, tank head shields, and thermal insulation. Since these safeguards were installed no accident has occurred where the safeguards did not act as intended. A September 8, 1979, derailment of a freight train near Paxton, Texas, provided an opportunity to examine the effectiveness of the recommended safeguards for 112/114 tank cars. Our reconstruction of the accident damage sequence showed that the shelf couplers, head shields, and insulation substantially reduced the potential for tank head punctures and catastrophic tank ruptures due to fire exposure. Eleven 112 tank cars survived. However, DOT Specification 105 and 111 tank cars which were not equipped with the recommended safeguards experienced head punctures and catastrophic rupture. We are convinced that the success of the safeguards applied to the 112/114 tank cars will cause the FRA, the tank car industry, and the railroad industry to make similar modifications to existing 105 and 111 tank cars in which hazardous materials are transported. Already, we convinced the FRA to improve the specifications for newly constructed 105 tank cars and to require shelf couplers for all DOT Specification tank cars in which hazardous materials are transported.

DC-10 - Failure to Implement the Board's Recommendation

I would also like to give an example of what can happen when a recommendation is not implemented. Problems can arise when agencies partially implement or fail to implement the Board's recommendations or use ineffective means for the implementation of the recommended actions. As a result of its investigation of an accident which occurred shortly after takeoff from Detroit, on June 12, 1972, the Safety Board determined that a cargo door on a DC-10-10 opened because its latches were not driven fully closed and that the lock-pins which should have prevented the latches from opening were not in place. The design of the door should have precluded the dispatch of the aircraft with this door improperly closed. Investigation of this accident identified a defective door design and showed that loss of this door resulted in a sudden loss of pressure in the cargo compartment. This condition resulted in cabin floor failure which caused unwanted rudder input, severely restricted the elevator control available to the crew, and disrupted the No. 2 engine controls. The Safety Board had previously recommended that the FAA require a modification to the door locking assembly to prevent recurrence of this incident and also require the installation of relief vents

between the cabin and the aft cargo compartment to minimize pressure loading on the cabin floor in such an event. The FAA's July 7, 1972, response to these recommended actions allowed functional checks of the door locking and vent mechanisms to be performed under McDonnel Douglas Service Bulletins (rather than the more stringent Airworthiness Directive procedure) which required work to be performed within 300 operating hours. Also the FAA reported that other modifications to the door latching mechanism and the pressurization systems were being considered, but preliminary investigation indicated that complete venting between the cabin and cargo compartments was not feasible.

A March 15, 1973, FAA letter conveyed that the DC-10 manufacturer was requested to reassess the effects upon the aircraft as a result of large openings in the pressurized fuselage, to consider rerouting vital systems, reinforcement of the floor and incorporation of vents between compartments.

On March 3, 1974, a Turkish Airlines DC-10 which had not been modified lost its cargo door after takeoff and crashed near Paris, France, resulting in the worst civil aviation accident to that time in aviation history -- 334 persons were killed. On March 6, 1974, the FAA issued an emergency Airworthiness Directive requiring immediate modification of all DC-10 cargo doors in accordance with McDonnell Douglas Service Bulletins and required the flightcrew members to check each cargo door for security prior to each flight. Copies of the Airworthiness Directive also were sent to all foreign air carriers which used DC-10 aircraft. Fleet-wide checks of DC-10's were made by FAA on March 7, 1974, with a second check made on the weekend of March 15, 1979, to assure that U.S. DC-10 operators were complying with the FAA directive. Also, all wide body aircraft were retrofitted with the recommended vents between the cabin and cargo compartments.

RECOMMENDATION ACCEPTANCE

Senator ANDREWS. Then could you provide a table for the record showing by transportation mode what percentage of each of your specific recommendations have been adopted by the appropriate regulatory agencies in each of the last 3 years?

Mr. KING. Yes, sir.

Senator ANDREWS. In other words, how many recommendations you have made and what percent were accepted by each transportation mode so we know which group are the good guys and which guys wear the black hats.

[The information follows:]

The table below lists the acceptance rate in percentage for recommendations issued to regulatory agencies in each mode:

Rate of Acceptance of NTSB Recommendations By Regulatory Agencies in Each Mode

MODE AGENCY	1978 TOTAL	1978 ACCEPT	1978 %	1979 TOTAL	1979 ACCEPT	1979 %	1980 TOTAL	1980 ACCEPT	1980 %
AVIATION									
FAA	88	78	90	108	94	87	123	59	84
HIGHWAY									
DOT	1	1	100	-	-	-	3	-	-
FHWA	24	20	83	4	3	75	28	7	88
FTC	-	-	-	-	-	-	1	-	-
NHTSA	20	19	100	19	10	53	13	4	80
RAILROAD									
DOT	9	5	62	3	2	66	7	-	-
FRA	28	16	61	24	15	65	13	4	57
UMTA	1	-	-	4	4	100	1	-	-
MARINE									
USCG	69	43	62	77	44	57	83	17	94
PIPELINE									
DOI	-	-	-	2	-	-	-	-	-
DOT	-	-	-	1	1	100	-	-	-
MTB	7	6	86	5	5	100	-	-	-
OSHA (DOL)	1	-	-	-	-	-	-	-	-
RSPA	-	-	-	6	3	100	20	-	-

NOTE: The acceptance rate is calculated by adding closed and open acceptable and acceptable alternate action and dividing by the total number issued less those awaiting response by the addressee or under review by the Board.

(CAA + CAAA + OAAA + OAA) / TOTAL - (OAR + ORR)

RECOMMENDATION PRIORITY

Senator ANDREWS. Also, does the Board divide its recommendations into categories by a priority? Again, do you set up something like the FBI's 10-most-wanted list?

Mr. KING. Yes, sir.

Senator ANDREWS. Then that would give the Government and the general public the opportunity to focus on the areas of greatest potential danger. Could you include for us what your batting average is in the 10-most-important ones that you have promoted so that they aren't lost in the shuffle?

Mr. KING. Yes, sir.

Senator ANDREWS. In other words, does the agency you refer to take them up in priority order and implement more of the top-priority ones than they do of the lesser priority ones? What are some of your top priority recommendations right now? Could you provide that for the record.

Mr. KING. Yes, sir.

[The information follows:]

The Board has a formal process by which it classifies its recommendations into one of the following three categories:

1. Class I, Urgent Action (imminent loss of life or injury and/or extensive property damage);

2. Class II, Priority Action (probable loss of life or injury and property loss; and

3. Class III, Longer Term Action (routine action necessary to avoid the possibility of future losses).

The following are some of the important recommendations in an open status the the Safety Board is pursuing.

AVIATION

—to the Federal Aviation Administration

Require that pilots involved in 14 CFR 135 operations be thoroughly trained on the performance capabilities and handling qualities of aircraft when loaded to their maximum certificated gross weight or to the limits of their c.g. envelope, or both. (Class II, Priority Action) (A-79-80)

The Federal Aviation Administration, in cooperation with the aircraft manufacturers and the National Aeronautics and Space Administration, utilize the results of already extensive research and accident investigation data to develop and implement major improvements in the design of transport aircraft interiors. Of particular concern are improvements in the crashworthiness of galley equipment, stewardess seats and restraining devices, and the flammability of cabin interior materials. (A-72-60)

HIGHWAY

—to the Federal Highway Administration

Establish mandatory performance standards, and associated test procedures to be used in determining compliance, for all traffic barriers constructed on Federal-aid roads after January 1, 1982. The performance standards should first address automobiles and should be expanded for heavier passenger vehicles and trucks as research is completed to provide needed information. (Class II, Priority Action) (H-80-64)

Develop program objectives for comprehensive wet weather skid resistance programs that can be used to both guide and evaluate State programs. (Class III, Longer Term Action) (H-80-52)

MARINE

—to the U.S. Coast Guard

Seek authority to require the carriage of emergency position indicating radio beacons (EPIRB) on documented U.S. fishing vessels and, in the interim period, pursue all available means to encourage their use. (Class II, Priority Action) (M-80-23)

Amend 46 CFR 111.80-70(f) (1) and (2) to require the installation of a pilot light and an audible alarm to indicate power interruption to steering gear motors in the wheelhouse independent of, and in addition to those currently required to so indicate at the propulsion control station. (Class II, Priority Action) (M-77-8)

PIPELINE

—to the Department of Transportation

Establish minimum performance standards for the prompt detection and rapid isolation of failed sections of highly volatile liquid pipelines. (Class II, Priority Action) (P-79-30)

Determine the availability, the practicability, and the state-of-the-art in the manufacture of excess flow valves for use on low-pressure gas distribution systems. Based upon the results of these findings, amend 49 CFR 192 to incorporate the use of these valves in commercial buildings. (Class II, Priority Action) (P-76-9A)

RAILROAD

—to the Department of Transportation

Require that top and bottom shelf couplers be installed on all DOT 105 tank cars as soon as possible. (Class I, Urgent Action) (R-78-58)

Pending the enactment of legislation confering direct regulatory authority, require the Urban Mass Transportation Administration to establish Federal guidelines for equipment and operations, to aggressively utilize existing grant programs and investigative authority to promote conformance with Federal guidelines, and to conduct a program of substantially increased safety oversight of Federal assisted rail rapid transit systems. (Class II, Priority Action) R-81-2)

—to the Federal Railroad Administration

The Federal Railroad Administration (FRA), in cooperation with Association of American Railroads, develop a fail-safe device to stop a train in the event that the engineer becomes incapacitated by sickness or death, or falls asleep. Regulations should be promulgated to require installation, use, and maintenance of such a device. (R-73-8)

RAIL RAPID TRANSIT SAFETY

Senator ANDREWS. In January of this year you recommended in a press release that there be congressional action to establish Federal regulation of the safety of U.S. rail rapid transit.

Mr. KING. Yes, sir.

Senator ANDREWS. Yet that same press release noted that the rail rapid transit industry has had a very good safety record.

Mr. KING. An excellent record.

Senator ANDREWS. Well, I know. Now, what is your detailed rationale for urging additional regulation in one of the few areas that has had an excellent safety record?

Mr. KING. This is, by the way, the material that is used on both aircraft and rapid rail car seats. It is used throughout the industry. What you end up with in the rail rapid transit industry, is sites which are designed individually. Now, there are certain areas that can be site specific and we are talking about tunnels especially. It is a skyscraper lying on its side with no windows as a rule.

For example, a firefighting effort, virtually all the firefighting units have 30 minutes worth of oxygen. That is assuming that they are operating at a very normal breathing level. If you are lifting, carrying, walking, or running, of course, that brings it way down. We have equipment that is available for a couple of hours' worth of use. That is a special type of equipment, as you are aware, Mr. Chairman. In this case we lost a firefighter for that reason. We almost lost several more and we came close to losing almost 1,000 people.

I think our concern is this is an identifiable accident scenario waiting to happen. Our report, which covered the entire area of emergency evacuation and the kind of planning, said now you are going to retrofit this car, and when they originally bought what was a space-age looking product which was around $250,000, I think when they bought it, and now to retrofit it you spend $515,000 to do a retrofit. You are going to have to go back in and look at your communications system because you found out that didn't work.

By the way, the Metro doesn't have the correct system to go under the Potomac River. These are systems that are being built. Well, you know better than anyone, Senator. Every time you use the word "retrofit" you can put the square root of some dollar figure if you design it in right at the beginning. Can that be done at a central location to lay out a standard and then let each person design for the site specific? There are universals in this business that UMTA hasn't been willing to admit. They fund 80 cents of $1 now of the capital equipment. You go to Miami and you have a fire coming up through the rear wiring and you wipe out the bus in 5 minutes.

FEDERAL REGULATIONS

Senator ANDREWS. The only reason for my question is that it was your press release urging additional Federal regulations set up by Congress in a narrow sector of the transportation industry which you said in the same press release was one of the safest.

Now, what have you been recommending for additional regulations in those areas that you consider are the most dangerous?

Mr. KING. We can do that, sir.

Senator ANDREWS. Can you provide that for the record?

Mr. KING. Yes, sir.

Senator ANDREWS. What you have recommended as far as intervention in the areas that you consider the most dangerous then?

Mr. KING. Yes, sir.

[The information follows:]

Most of the recommendations made by the Safety Board do not call for additional regulation by the Federal Government. The Safety Board addresses 73 percent of all of its recommendations to Federal, State, or local governments, and of this 73 percent, only one-quarter recommend regulatory action.

Further, we would like to make clear that what we consider to be dangerous areas is based on what we find in the accidents we investigate and the studies we conduct ourselves. The Safety Board does not attempt to prioritize all safety problems requiring solution by the Federal Government or others—believing this to be the policy responsibility of the Department of Transportation—but rather sees its role as identifying such problems and suggesting needed actions to resolve them. Thus, among the most important dangerous safety problem areas which the Board has identified recently and which we believe require regulatory action are the following:

AVIATION

Collision avoidance.—The Safety Board has recommended since 1971 that the FAA develop a viable collision avoidance system. The development and use of such a system could have saved the 137 lives lost in the midair collision over San Diego in 1978.

Commuter airline.—The Safety Board has recommended that the Federal Aviation Administration require that pilots involved in part 135 operations be thoroughly trained on the performance capabilities and handling qualities of aircraft when fully loaded, and that actual passenger weights be used in weigh and balance computations for small commuter planes.

HIGHWAY

Traffic barriers.—In order to address serious deficiency in traffic barrier systems, the Board has recommended that the Federal Highway Administration establish mandatory performance standards and associated test procedures to be used in determining compliance for all traffic barriers constructed on Federal-aid roads.

MARINE

Steering reliability.—Based on five accident investigations involving steering gear failures of large commercial vessels the Board has recommended that the Coast Guard require certain devices and procedures that will assure greater steering mechanism reliability in both main and backup systems.

PIPELINE

Pipeline failure detection.—The Board recommended that the Department of Transportation establish standards to detect and isolate highly volatile liquid pipeline failures.

RAILROAD

Installation of headshields and shelf couplers on 105 tank cars carrying hazardous materials.—Presently, 105 tank cars carrying approximately 18 percent of the Nation's hazardous materials are not required to be protected with either headshields or shelf couplers. The Safety Board has recommended that the Federal Railroad Administration promulgate such a requirement.

FISCAL YEAR 1982 BUDGET REQUEST

Senator ANDREWS. To get back down to the budget deal because our time is running out and there are people that are coming on, what was your initial fiscal 1982 budget request of OMB in dollars and positions? Provide that for the record.

Mr. KING. OK.

Senator ANDREWS. And what percent did Carter's budget cut you, OMB under President Carter. Have you got that right now?

Mr. VOORHEES. I can give you the detail on that.

Senator ANDREWS. Well, you can give the detail for the record.

Mr. KING. Surely.

Senator ANDREWS. Just off the top of your head what percent did they cut your request?

Mr. VOORHEES. It was approximately 10 percent.

Senator ANDREWS. Ten percent.

[The information follows:]

The Safety Board requested 431 positions and $21,339,000 for fiscal year 1982 in its budget request to OMB last September.

Of the $21.3 million requested $2.5 million—11 percent—was not approved as follows: $869,000 and 29 positions for an expanded highway accident investigation program; $707,000 and 21 positions cut as a result of the previous administration hiring limitation; $552,000 of the $1.4 million requested to cover inflation; and $347,000 to reduce the disparity between the Board's authorized and funded position ceilings by allowing the Board to fill 9 of its currently vacant authorized positions.

FUTURE BOARD RESOURCES

Senator ANDREWS. Do you have any outlook for what is going to happen in the budget coming up here on March 10 for your shop?

Mr. VOORHEES. We have some preliminary estimates in terms of cuts.

Senator ANDREWS. Well, again, where are you going to be in regard to the fiscal 1982 budget of Carter that is now here?

Mr. KING. Mr. Cushing.

Mr. CUSHING. Mr. Chairman, we understand that we will be asked to take additional cuts of 17 persons on top of the 21 we already with the Carter budget for a total reduction of 38 positions this fiscal year or about 11 percent of our total staffing.

BUDGET CUTS

Senator ANDREWS. Well, now, what percent cut is that from the Carter budget?

Mr. CUSHING. That is an additional 5 percent from the Carter budget, sir.

Senator ANDREWS. In other words, you got an additional 5 percent from the Carter budget.

Mr. CUSHING. We got about 5.6 percent on the Carter budget and about an additional 5 percent under this new budget we expect.

Senator ANDREWS. Well actually you did better than most of these other agencies. Why do you believe you should be excluded from the budget reductions facing the rest of the Federal Government?

Mr. KING. Well, one of the things is I think we are in a more critical situation. As you can see from that and when you see the justification I

think you will see the chart is reasonable. I would like to discuss it from a point of view that the chart and the productivity is reasonable. We have reprogramed about 20 percent of the job positions in the agency. We are moving toward 30 percent on reprograming.

What we have tried to do in a highly technical time when there is expanding technology is bring ourselves up with the fewest possible people and I think we have reflected that in our budget documents. I am one of those who really does things cheap. We have now stretched very thin.

LIMITED SPECIALISTS ONBOARD

I will give you an example. I just found out the day before yesterday that we have two air traffic control specialists. One of them has been admitted to the hospital and it looks as if he is going to have some serious surgery. That means 50 percent of our air traffic control capability is gone. If then the other one is hit by a bus as I sit here we have 100 percent gone. We cannot backfill.

Our cockpit voice recorder which, as I said, really is a world center and it is the free world center on that particular specialty. We have one person and that person is going to retire in a few years he has told us. The training for that and the background is highly specialized. We had planned to hire a person this year. That is in the budget. We will not be hiring that person.

What I am suggesting is we are mortgaging the future of a highly competent technical agency that serves American products and their ability to sell products abroad especially in the aviation mode. We think the other parts of the agency can speak for itself. That is what we are concerned about. We are stretched very thin and we are going to continue to tighten and pare.

Senator, the agency isn't going to collapse. If you are saying to me, "Jim, if you don't get your thing is that agency going to fall into ashes?" The answer to that is "No," Senator. We are going to make it work.

Senator ANDREWS. Well, I hate again to be coaching the witness, but you might want to change your statement that you just found out the other day that you have two specialists in this field because if you didn't know they were around until the other day they weren't doing a whale of a lot.

Mr. KING. No; he went into the hospital the other day, Senator. He just was admitted to the hospital. He is not available to us and we cannot backfill. That is what I am saying. If we have more than one accident with air traffic control, we can send some people who have air traffic control background, but it is the level of skill and expertise. We will cover the accidents.

I am merely suggesting that down the line there is a price to be paid. The training and the leadtime for the kind of work we do is such that if they aren't quickly filled and we don't backfill any of the positions that quickly, would that be a fair statement? I am looking at Mr. Sweet who is head of our Bureau of Technology.

Mr. SWEET. Yes, sir; the type of people we are looking for are usually very specialized and practically one-of-a-kind types in many cases and it takes quite awhile to find these people. We have had a number of un-

filled positions continuously because we just weren't able to find the specific people we wanted and now most of those positions are gone and we are not able to meet the critical stopgap holes we have.

Senator ANDREWS. Well, thank you, Mr. Chairman. We appreciate your testimony.

SUBMITTED QUESTIONS

I have got a number of questions that we will submit to you that you can answer for the record so the record will be more complete.

It was most interesting this morning and I appreciate your coming up.

Mr. KING. Thank you for having us, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

HIGHWAY SAFETY

Senator Andrews: The National Highway Traffic Safety Administration maintains a regular flow of information from the States on highway accidents and, in addition, has its own investigative unit which conducts inquiries into highway accidents throughout the country. Responsibility for highway safety at the Federal level is also the responsibility of the Federal Highway Administration. Since you've already pointed out in your budget justification that primary responsibility for highway safety lies with State and local officials, how can you justify your involvement as the third Federal agency involved in what is clearly a secondary role for the Federal Government?

Response: The regular flow of highway traffic safety information that the NHTSA receives from the State (FARS and NASS) is of a general nature and does not relate to determination of the actual cause(s) of the accidents. The contract teams working for NHTSA are actually conducting special investigations related to special interests of concern to NHTSA at a specific time. The National Accident Sampling System (NASS) data is of a technician level and will not include indepth analysis of such areas as human factors, highway involvement and institutional factors. The FHWA's function is the distribution of Federal assistance funds to the States and local governments for the construction of highways and the oversight of the use of these funds. The Bureau of Motor Carrier Safety (BMCS) is responsible for the administration and enforcement of the Federal Motor Carrier Safety Regulations.

State and local officials gather highway safety data of a nonuniform nature depending upon their authority and areas of responsibility. This data is not reported to any one central agency and is not comparable from State to State or on a national level. This data is not of sufficient indepth nature to determine compliance with Federal or State standards or regulations or to provide an oversight function of institutional (operational and organizational) factors.

The Board is the only Federal agency that considers all of the components of the highway system (driver, the vehicle, the highway and the environment) during its investigation. Because it is an independent, nonregulatory agency beholden to no agency other than the Congress, it can be completely unbiased in its findings and recommendations. Consequently, its investigations delve indepth into matters not included by the regulatory agencies. It is also the only Federal investigating agency that publishes and makes public, all of its findings. In addition to its oversight role of the DOT regulatory agencies through accident investigation, it also conducts agency evaluation and special studies that perform the oversight function required by the Congress.

Senator Andrews: Have you noticed any improvements in cooperation between the Federal Highway Administration and the National Highway Traffic Safety Administration in the coordination of their research and rulemaking in areas where vehicle and highway design interrelate?

Response: The Board is currently in the midst of an evaluation which specifically addresses this subject. The study will be completed this fiscal year.

Our efforts so far have identified a number of areas in which FHWA and the NHTSA do cooperate and coordinate research and rulemaking. For example, the staffs of particular offices in the research division of both FHWA and NHTSA have informal, but close working relationships. However, at this stage it appears that there is no strong commitment at the upper management level of either agency to insure that coodination exists between the rulemaking and research activities. The Board feels that this has become a particular problem with the downsizing of the automobile fleet, and that issues of compatibility between small cars and the highway must be worked on jointly by both FHWA and NHTSA. The Board's report will analyze these issues in detail and will issue recommendations as appropriate.

Senator Andrews: What improvements do you think should be made in the National Highway Traffic Safety Administration's rulemaking process?

Response: In April 1980, the Safety Board completed a detailed evaluation of the rulemaking process of the NHTSA, issuing seven recommendations designed to improve the agency's rulemaking process. While the Board acknowledged that many improvements in the process had taken place during the past several years, it concluded that further improvements could be made. Recommended improvements included:

(1) Problem identification: the precise nature and magnitude of safety problems should be defined no later than the Notice of Proposed Rule Making stage and detailed information in support of the problem identification should be included or specifically referred to in the Notice to facilitate analysis by the public.

(2) Consideration of alternatives: detailed consideration and analysis of all significant and practicable alternative approaches should be described in the Rulemaking Support Paper, with specific references to research reports or demonstrations.

(3) Evaluations: detailed plans for the evaluation of safety standards after they are issued should be contained in the Rulemaking Support Papers.

(4) Management of research: the decisionmaking process in safety standard research and development should be formalized to require: at least annual review of the R&D program, including summaries and analyses of work accomplished on specific issues; documentation of specific decisions on the direction of future research, including decisions not to proceed in a given direction or to explore a given issue; and that these documents be made available to the public. The NHTSA can also improve its system for the collection, storage, and rapid retrieval of research reports and other materials related to the safety standard research and development program.

Senator Andrews: Having just completed your study on the transportation of hazardous materials by trucks, do you have any specific recommendations regarding the transfer of greater regulatory responsibility to the States for the transportation by trucks of hazardous materials?

Response: The Safety Board's study of Federal and State enforcement efforts in the area of bulk hazardous materials transportation by truck does not make specific recommendations concerning the transfer of responsibility to the States for enforcement. However, the Board's review of the enforcement efforts of the Bureau of Motor Carrier Safety and various enforcement activities in 24 States revealed a number of difficulties that

may be encountered in establishing and maintaining State truck safety and hazardous materials enforcement programs, as well as potential benefits that may accrue from their establishment.

The number of motor carriers operating solely intrastate is not known. However, there are about 168,000 known interstate carriers, about 12,000 known interstate hazardous materials carriers and about 12,000 known hazardous materials shippers who transport by truck. The number of power units operated by these 168,000 interstate carriers varies between one and 5,000; about 150,000 of them operate between one and four power units. Given the size of the industry, the BMCS, with only 187 field personnel, cannot conduct an effective program aimed at identifying and removing unsafe vehicles and drivers from the road.

At this time, the BMCS does not enforce truck safety or hazardous materials regulations with respect to instrastate truck transportation. Although about 30 States have adopted some type of hazardous materials regulation, the Board found that (of the 24 States we reviewed) only Illinois has a reasonably comprehensive hazardous materials truck enforcement program with a large staff trained in hazardous materials enforcement, suitable data processing facilities, effective interagency coordination, and an organized sanctions system with large fines available.

Thus, it is probably safe to say that, nationwide, only a small percentage of interstate, and an even smaller percentage of intrastate, hazardous materials truck transportation is monitored for safety and compliance with Federal or State regulations.

The Board found that the major benefits that might accrue from expansion of State truck safety and/or hazardous materials enforcement are substantially increased enforcement resources nationwide, more precise knowledge of State or regional truck traffic characteristics, and increased coverage of both inter- and intrastate truck transportation. The problems that hamper current State efforts to establish and maintain enforcement programs are inadequate and uncertain funding, too few personnel, jurisdictional fragmentation and overlap, inadequate data processing facilities, inadequate training, and ineffectively low fines. In considering the wisdom and feasibility of encouraging the expansion of State responsibilities in this area, these problems will need to be addressed. Two additional problems may arise if State programs are expanded: States may adopt truck safety and/or hazardous materials regulations which are not mutually consistent; and there is a potential for redundant truck inspections if neighboring States have active inspection programs. In either of these cases, the effect might be to place a burden on interstate commerce with little or no commensurate safety benefit.

Senator Andrews: As a result of this same study, you said that you concluded that the Department of Transportation has not coordinated the hazardous materials enforcement activities of its several modal administrations. What alternatives or suggestions are you proposing to improve the situation?

Response: The Board's study found that the Materials Transportation Bureau, responsible for overall coordination of DOT hazardous materials activities, has not succeeded in shaping the enforcement activities of all the modal administrations into a well-coordinated, cohesive program. There are two reasons for this failure, we believe: the serious deficiencies in the DOT's data concerning the basic facts of hazardous materials transportation, and the small size and relative lack of power of MTB compared to the DOT modal administrations. Until the DOT decides what data it needs

in order to plan, implement, and evaluate its hazardous materials programs and develops systems for collecting and analyzing these data, it will not have a coherent program, well coordinated among the MTB and the modal administrations. The MTB is working to put together such a data program, the Hazardous Materials Information System. However, this data system's completion is still some years away; it seems unlikely that, in the meantime, the DOT's program for enforcing the truck-related hazardous materials regulations will be a coordinated part of the overall DOT hazardous materials program.

On the second point, it is simply unlikely that a relatively small line agency such as the MTB can effectively exert any real influence over the autonomous modal administrations. The Federal Highway Administration, for example, is a long-established, large agency with considerable power within the DOT. The Research and Special Programs Administration, of which the MTB is only a part, is a small new DOT agency with fragmented responsibilities. Unless there is continued, clear, strong direction from the Secretary that the MTB is to be responsible for coordinating all of the modes' hazardous materials programs to ensure that the overall DOT effort is properly directed, the MTB will not have the influence to attempt anything more than very general liaison with each of the modes' enforcement programs.

As a first step in improving the modes' enforcement coordination, the Board has recommended that the MTB establish and use a common identifier for hazardous materials shippers in all the DOT modal administrations' compliance records. A common shipper identifier would permit the modal administrations to share compliance and enforcement information about a shipper routinely and easily and increase the effectiveness of the modes' individual enforcement actions.

Senator Andrews: Your study also criticizes the Bureau of Motor Carrier Safety in the way it monitors and enforces hazardous materials truck safety. What are your recommendations for improvement of the Bureau's procedures and what are your thoughts on cost recovery for the programs administration through civil penalties for violators?

Response: To improve the efficiency and effectiveness of the BMCS enforcement program, the Safety Board has recommended that the Bureau:

Develop explicit criteria for deciding which carriers and shippers to audit to ensure that the Bureau's small resources are focused on the companies most in need of attention

Develop explicit criteria to guide field staff in the development of enforcement cases

Develop and publish policy and procedures for determining initial and final assessments against motor carriers and shippers for violations of the Federal Motor Carrier Safety Regulations and the Federal Hazardous Materials Regulations

Systematically document the process of assessing civil sanctions against motor carriers of hazardous materials shippers

Develop a written plan for using the BMCS Management Information System to 1) improve the effectiveness of the Bureau's motor carrier safety and hazardous materials enforcement activities; 2) evaluate the effectiveness of these activities on carrier compliance with the

Federal regulations and on reducing the risks of motor carrier transportation and hazardous materials carriage by truck; 3) assist States in developing and conducting motor carrier safety and hazardous materials enforcement programs.

Until the BMCS motor carrier safety and hazardous materials enforcement program is put on a more systematic, documented, and well-reasoned basis, it will be premature to draw any conclusions about the wisdom and feasibility of program cost recovery through civil penalty collection.

FAA COMPUTERS AND COLLISION AVOIDANCE

Senator Andrews: The FAA is likely to propose new enroute air traffic control computers to replace the existing system which they say is near or at capacity. What is your judgment of the existing system and the appropriate timing or need for a new system?

Response: The Board would like to say at the outset that from our experience in accident investigation we feel the present air traffic control system is characterized by a high degree of safety. We would like to stress the fact that, to date, no major accident investigated by the Safety Board has been attributed directly or indirectly to radar or computer failure.

Although the Board's investigative experience supports the overall safety record of the present system, the Board has recognized the catastrophic potential of radar data processing (RDP) outages.

At certain times and locations the existing computerized enroute air traffic control system is operating near capacity. In line with the anticipated future growth in aviation, there will be a need for a replacement system. We support the need to move ahead with the development of the next generation enroute air traffic control automated system as soon as possible.

Senator Andrews: There is a great deal of continuing discussion over the various alternative aircraft collision avoidance systems, each of which are extremely expensive. In your judgment, based on statistics and experience available to you, are such systems worth the cost? What percentage of past accidents could reasonably be expected to have been avoided by such equipment? What types of collisions could we expect to be avoided with what type of system? (For example: Groundbased, aircraft based, systems used only on enroute airways, systems "seeing" only encoding transponder equipped aircraft, etc.) would the San Diego accident, for example, have been avoidable with CAS?

Response: The Board has been a long time advocate of a collision avoidance system. The collision over San Diego resulted in the loss of 144 lives. The collision at Tenerife, Canary Islands, resulting in the loss of 582 lives, occurred on the ground but it is illustrative of the disaster potential of a midair collision involving two jumbo jets.

Our statistics indicate that the primary midair collision problem consists of collisions between two small general aviation aircraft under visual flight rules (VFR) operating outside of the air traffic control system. The secondary problem, and the one with a greater disaster potential consists of collisions between controlled aircraft, or between a controlled and a non-ATC controlled aircraft. This is the problem area which is most likely to be alleviated by a collision avoidance system.

We understand that the FAA has opted for a full capability Beacon Collision Avoidance System (BCAS) involving both active and passive operational modes. If this system works the way it has been envisioned, it would be reasonable to assume that a significant percentage of past collisions involving controlled aircraft could have been averted. To cite a precise figure would be speculative. In this context, however, the San Diego midair collision may well have been averted by an airborne BCAS interfaced with the ground-based automated radar system.

GENERAL AVIATION

Senator Andrews: In your prepared statement, you say that it is past time to aggressively seek more stringent crashworthy structural design standards for general aviation aircraft. What are your specific recommendations? Have general aviation manufacturers indicated any interest or cooperation in this? What is their position?

Response: The Safety Board and its predecessor, the CAB, since 1965 have sought improvements in the structural crashworthiness standards of light airplanes. The Board's accident investigation experience and its statistics indicate that two fatalities occur for every three serious injuries in light aircraft. This statistic contrasts sharply with that for automobile accidents in which only 1 fatality occurs for every 10 serious injuries.

In the structural design area of general aviation aircraft, the Board has recommended that the emergency landing inertial force standards contained in 14 CFR 23.561 be upgraded to raise these "minor crash landing" criteria to a level comparable to the forces produced by a moderate-to-severe crash landing. The Board also recommended that aircraft seat standards be updated and specifically that seats be required to be tested dynamically in lieu of the present static strength test requirement. To date, the FAA has not seen fit to implement any of these recommendations. In fact, after completion of an extensive 5-year research effort from 1975 to 1980 at the NASA/Langley Research Center in which the magnitude of crash forces were demonstrated in light aircraft accidents, the FAA Technical Center is now contemplating an entirely new study to attempt to determine the parameters of a typical crash scenario.

Other Safety Recommendations relate to the postcrash fire incidence and the structural integrity of fuel tanks in light aircraft accidents. The seriousness of the fire problem in general aviation is revealed in the statistics. About 57% of general aviation aircraft occupants are killed when fire is involved in the accident while only 12% are killed when fire does not occur. The U.S. Army has applied crash-resistant fuel system technology with great success in their helicopter fleet since 1970. In fact, since 1970 the Army has not lost any personnel to fire in accidents involving these modified aircraft. These fuel systems have been used in racing cars since 1974 with equal success and they can be adapted to small fixed-winged aircraft as well. The FAA, however, has not shown any interest in regulating the installation of these lifesaving systems in general aviation aircraft.

In 1978, the Safety Board held a meeting with the General Aviation Manufacturers Association in Wichita, Kansas, in which the Board's concern about the lack of crashworthiness of general aviation aircraft was expressed by the Board's personnel directly responsible for the investigation of this category of accidents. The viewpoint of the manufacturers of these aircraft was that the general aviation industry was a very competitive enterprise

concerned with the airworthiness of aircraft, their speed, range, and comfort, rather than with the safety of the occupant in situations exceeding the design parameters established by the FAA for other than minor crash landings. The general aviation manufacturing industry felt that the Safety Board should concentrate on the prevention of accidents rather than on the prevention of injuries in accidents.

The Board understands the desire of the industry to remain competitive with respect to the performance characteristics of airplanes. It is the Board's view that the industry will not include crashworthiness design improvements in their aircraft that will increase weight or cost and which have no visible selling appeal or competitive advantage as long as the Federal Aviation Regulations only require standards that date back to the design standards that were practical 25 years ago.

COMMUTER AIRLINES

Senator Andrews: How has deregulation of the airline industry affected safety in general, and more specifically, your relations with the airlines and airport operators?

Response: The deregulation of the airline industry has not had an adverse affect on safety in the 2 years since deregulation was passed. In 1979, which was the year immediately after the advent of deregulation, the commuter airlines recorded the highest number of accidents in their history. However, the commuter air carrier safety record had been steadily worsening for 4 years before 1979. By 1980, the commuter safety record improved dramatically, and was far better than any year since before 1975. As you know, 1980 was one of the safest in history for certificated route air carriers, and 1979 was nearly identical to the two previous years with regard to total and fatal accidents. While I cannot attribute these safety marks to deregulation, it does not appear that the industry has gotten less safe under deregulation. Finally, our relations with the airlines and airport operators have not changed under deregulation.

Senator Andrews: The Commuter Airline industry continues to grow very rapidly. How does the accident rate for this industry compare with the accident rate for the U.S. Certificated Route Air Carriers?

Response: The preliminary 1980 accident rates for commuter air carriers, all scheduled operations, and the U.S. certificated route air carriers, all scheduled operations, are as follows:

ACCIDENT STATISTICS

	Per Million Aircraft Miles		Per 100,000 Aircraft-Hours		Per 100,000 Departures	
	Total Accidents	Fatal Accidents	Total Accidents	Fatal Accidents	Total Accidents	Fatal Accidents
U.S. Certificated Route Air Carriers	0.005	0.0003	0.215	0.014	0.274	0.018
Commuter Air Carriers	0.14	0.02	2.30	0.40	1.53	0.26

Senator Andrews: Within the restricted regulatory environment we now face, what do you propose be done, if anything, to improve commuter airline safety?

Response: In the past (1969 to present), the Board had issued 171 safety recommendations addressing commuter airline safety. One hundred and fifty seven of these were addressed to the FAA. Of these 157, only 58 called for any form of rulemaking action on the part of FAA. The majority of the recommendations called for the issuance of airworthiness directives, studies, and compliance enforcement.

We believe that the basic framework to build a continued safe commuter airline industry is already in place in the form of 14 CFR 135. This section of the Federal Regulations governs commuter operations and has been revised recently to provide an improved regulatory program. In addition, the FAA has implemented new commuter airline surveillance and enforcement programs and has increased manpower levels at the General Aviation and Flight Standard District Offices. The commuter airline safety record improved significantly in 1980. We believe that the key to commuter airline safety is the dedication of the commuter operators to meeting the requirements of the existing safety standards, together with a total commitment to the operations, maintenance, and training programs which are in place. Further, the FAA must continue to provide fair but thorough surveillance of the commuter airlines to insure compliance with safety standards and to detect those operators or individuals who attempt to evade the regulations.

In the future as we investigate commuter airline accidents, the Safety Board will consider problem solution through direct recommendation for improvement to the air commuter industry, i.e., operators, pilots, manufacturers, consumers, etc. rather than presseing for regulatory actions by the FAA. Our in-depth investigations will focus on operational and human factors, and air traffic control with correction of procedure or operation being addressed outside of regulatory action. We propose to resort to recommendations for regulation amendment only after a careful consideration of the problem addressed and a determination that the most effective way to provide a safe environment for the traveling public is through further regulation.

FEDERAL RAILROAD ADMINISTRATION

Senator Andrews: What has been the trend in train accident rates and to what degree have you found track conditions to contribute to this situation?

Response: The trend in train accidents decreased slightly during 1979 from the previous years according to FRA statistics. This trend however, was not significant and poor track conditions, though slightly improved, still contribute to about 40 percent of the accident causes. The NTSB has found that track related accidents still occur too often on the lower Federal classes of main tracks such as Class 3 and 2 which permit maximum speeds of 40 and 25 mph respectively for freight trains.

Senator Andrews: Is there any indication that the Federal Railroad Administration's track safety program is reducing the number of track-caused accidents?

Response: Not significantly. In general, railroads continue to downgrade the class of the track in lieu of repairing the track to maintain it

at the original higher class. Consequently, more track related accidents occur on the lower classes of track. Even though the speed of trains is less on these lower classes of track, it is improperly assumed that lower speeds will not create high cost accidents. The railroad and general public are still confronted with high cost accidents on these tracks due to the yearly increase of hazardous material shipments and the catastrophic effects of a tank car puncture.

Senator Andrews: Tell us what problems you have identified with the Federal Railroad Administration's Hazardous Materials Safety Program.

Response: In 1978 the Safety Board recommended that DOT develop and implement a safety plan for utilizing the best available safety analysis technology to determine regulatory actions needed to adequately control hazardous materials transportation risks. After reviewing the FRA's hazardous materials program in 1979 the Safety Board concluded that:

(1) FRA's hazardous materials safety program is fragmented and reactive without established goals, objectives, or criteria by which success can be determined. The absence of established, documented goals and objectives results in failure to maintain program direction during reaction to catastrophes; and

(2) FRA and MTB must formalize the process of finding unacceptable risks in hazardous materials railroad transportation and must act promptly once such a finding has been made. Recommendations issued by the Safety Board have not been implemented at FRA.

The recommended actions are needed to provide the foundation for FRA's hazardous materials safety program. The FRA must develop and document a hazardous materials safety program for the railroad mode which will include: desired level of safety (risk) to be achieved; program goals and objectives based on that level; and criteria by which the success of the program will be measured. If not done adequately FRA's safety program is vulnerable to delays and controversy. Correction of safety vent problems on corrosive liquid tank cars, improved bottom outlet valve protection on flammable liquid tank cars and retrofitting safeguards on DOT 105 pressure cars are three examples of delays due to these problems.

MARINE ACCIDENT INVESTIGATIONS

Senator Andrews: Please review for the committee your findings with regard to your investigation into the accident involving the Coast Guard's BLACKTHORN in Tampa Bay.

Response: Our principal findings are that the probable cause of the accident was the failure of the BLACKTHORN to keep on the proper side of the channel when meeting another vessel in a bend because the commanding officer (CO) failed to adequately supervise the actions of an inexperienced officer-of-the-deck (OOD). Contributing to the accident was the failure of the commanding officer of the BLACKTHORN and the pilot of the CAPRICORN to establish a passing agreement using bridge-to-bridge radiotelephone or whistle signals and the failure of the commanding officer to keep himself aware of all traffic in the channel. Contributing to the high loss of life was the sudden capsizing of BLACKTHORN due to the CAPRICORN's anchor getting caught in the cutter's shell plating.

The Board concluded that the Coast Guard's system for selecting officers for assignment as CO and for qualifying officers to take charge of a deck watch is not adequate. The OOD's knowledge of navigation and the Rules of the Road was not sufficient to navigate Tampa Bay without direct, competent supervision. The CO lacked recent seagoing experience and his unfamiliarity with Tampa Bay made his decision to sail at night imprudent. The CO failed to keep himself apprised of the actions of the OOD, the position of the BLACKTHORN in the channel, and inbound vessel traffic. The OOD, because of his inexperience and lack of proper supervision, navigated the BLACKTHORN into the south side of the channel even though he was aware of the presence of a large inbound vessel. The BLACKTHORN, a relatively small, shallow-draft, maneuverable vessel, could have maneuvered at the edge of the channel or outside of the channel and kept out of the way of the CAPRICORN, a large deep-draft, less maneuverable vessel, which was restricted to the channel. The Board made seven recommendations to improve the competency of the Coast Guard's deck and engineering officers in matters of ship navigation and safety.

The Board also found that the pilot of the CAPRICORN misinterpreted his responsibility under the Inland Rules of the Road when he failed to initiate a one-blast signal for meeting the outbound BLACKTHORN at the junction of Mullet Key and Cut A channels. Radio interference due to high power transmissions from another vessel probably prevented the BLACKTHORN and CAPRICORN from making radio contact.

The accident also indicated a need for a higher level of vessel traffic services and improvements in the navigation features of Tampa Bay. The intersection of four navigation channels at buoy 2A in Tampa Bay poses an unnecessary hazard to navigation. That hazard is compounded by a bend in the main channel at the intersection and this accident could have been avoided if ships were prohibited from passing in the bend.

The loss of life may have been reduced by better survival preparedness on the part of the BLACKTHORN's crew in conjunction with improvements in the cutter's survival equipment and features. The BLACKTHORN's crew was not adequately trained in locating lifejackets, using liferafts and water survival techniques. Liferaft stowage location on the BLACKTHORN was not suitable for launching in an emergency and the continued use of obsolete Mark 3 liferafts on Coast Guard cutters is unsafe. The emergency lighting system failed and hindered the escape of crewmen from the BLACKTHORN. The Board made five recommendations to increase the effectiveness of survival equipment on Coast Guard cutters.

Senator Andrews: In your testimony last year, you mentioned your work with the Coast Guard to minimize duplication of investigation. Why is it still necessary to vest the authority over investigation of major marine casualties and any accident involving a public and nonpublic vessel in the hands of both the Coast Guard and the National Transportation Safety Board?

Response: The Safety Board believes there is a need for both the Coast Guard and the Safety Board to be vested with authority to investigate major marine casualties in a working arrangement which minimizes duplication of effort. The Safety Board does not have the resources to investigate all major marine accidents but does determine the probable causes of such accidents. We have been investigating marine accidents in accordance with the joint regulations of the Safety Board and Coast Guard (49 CFR 850). Under these regulations, the Coast Guard conducts a preliminary investigation of major marine accidents. Based upon information provided

by the preliminary investigation, the Safety Board decides whether significant safety benefits can be gained by our participation in the investigation. When we do not expect significant safety benefits to result from investigation of the accident, we request the Coast Guard to investigate for the Board. When we expect important safety issues to be developed, we participate with the Coast Guard in a joint investigation. In this manner, the duplication is minimal and the Safety Board's limited resources are utilized most effectively.

The Coast Guard must have the authority to investigate those major marine accidents which the Safety Board does not investigate. In addition, the Coast Guard has a separate responsibility to investigate marine accidents to determine whether there have been acts of incompetency, misconduct, or violation of laws or regulations.

In those accidents where we expect significant safety benefits to result from the investigation, the Safety Board's role differs from the Coast Guard's responsibilities in the following ways:

(a) The Safety Board's perspective is not enforcement oriented as is the Coast Guard's;

(b) the Safety Board has developed expertise in marine accident investigation because investigation is not a collateral duty function as it is with the Coast Guard. Further, the frequent transfer of CG personnel impairs their development of investigative expertise;

(c) the Safety Board has effectively investigated accidents involving U.S. Navy vessels when the Coast Guard was reluctant or unable to complete those investigations;

(d) the Safety Board is able to provide the public with an impartial investigation whereas the Coast Guard cannot do this because they are essentially the creators of the marine transportation safety system as it exists today. Every investigation by the Coast Guard contains some degree of conflict of interest because of self-investigation;

(e) the Safety Board can and does address its safety recommendations to the agencies which can be influential in achieving a solution whereas the Coast Guard must limit solutions to itself; and

(f) the Safety Board utilizes its multi-modal expertise to accomplish an in-depth investigation when factors other than marine transportation are involved.

During 1980, we completed a review of the joint regulations and our experience under them in working with the Coast Guard. Generally, we found that the regulations posed few problems and the Coast Guard cooperation has been fully satisfactory in most instances. However, some improvements can be made. Primary among our concerns for improvement is the need to further reduce duplication of investigative effort.

There have been instances where the interests of the public would have been better served if the Coast Guard had participated in a Safety Board hearing rather than the reverse. The most recent of these instances was the collision in Tampa Bay between the USCGC BLACKTHORN and the SS CAPRICORN. The Board is unaware of any substantive difficulties for the Coast Guard were it to participate in a Safety Board hearing as against its conducting a marine board investigation. Consequently, the Board believes that in the future it must plan to conduct the investigation of major marine casualties involving a Coast Guard vessel and a nonpublic vessel. In those instances the Coast Guard and the public would benefit from an impartial investigation which would be unencumbered by charges of "conflict of interest" and "self-investigation."

The Independent Safety Board Act of 1974 identified for special consideration a separate category of accidents involving public and nonpublic vessels, and the joint regulations include appropriate implementing guidance. However, Coast Guard investigations for the Board of some accidents which involved U.S. Navy vessels have been incomplete because Navy witnesses have not been called for direct examination. Many of the public and nonpublic vessel accidents carry the implications of Federal misfeasance or nonfeasance. The Safety Board believes that many of the associated difficulties can be obviated if the Safety Board conducts the investigation in appropriate cases.

In May 1980, the Safety Board advised the Coast Guard of our review of accident investigations under the joint regulations. In addition to the items discussed above, several other recommendations to improve the efficiency of investigations under the joint regulations were made in a letter to the Coast Guard. Most of those recommendations can be implemented administratively. We are waiting for the Coast Guard's reply to our letter which is attached.

MAY 22 1980

Admiral John B. Hayes
Commandant
U.S. Coast Guard
Washington, D.C. 20593

Dear Admiral Hayes:

Since January 3, 1978, the NTSB has been investigating major marine casualties under the provisions of the "Coast Guard/NTSB Marine Casualty Investigations" regulations (49 CFR 850 and 46 CFR 4.4). As you know, these joint regulations were the culmination of 3 years of discussions between our agencies and represented the best compromise which could be reached at the time. Since some provisions were not fully acceptable to the Board, the Safety Board indicated in the preamble to its final rulemaking that it intended to review the procedures at a later date ". . .to determine whether the Board thereunder can perform its maritime casualty investigation responsibilities consistent with the mandate and intent of the Independent Safety Board Act."

The Safety Board recently completed a review of the regulations and our experience under them in working with the Coast Guard. This letter will summarize the results of that review. Although the regulations have posed few problems and Coast Guard cooperation has been fully satisfactory in most instances, the Board believes there are some aspects of our relationship which should be improved in the public interest and for the benefit of both agencies.

First and most importantly, the Safety Board is concerned about the duplication of investigative effort. This problem is not new; it was clearly recognized in formulating the joint regulations.

Provisions were made in the regulations for the Coast Guard to investigate certain casualties for the Safety Board and for the Board to participate in those investigations to the full extent it determined was appropriate. However, these provisions are not balanced by a Coast Guard policy to utilize testimony and evidence developed by the Safety Board and to participate in a Safety Board investigation or public hearing if the Board chooses to direct an investigation itself rather than to request that the investigation be conducted by the Coast Guard for the Board.

Since 1978, the Board has independently conducted one investigation of a major marine casualty and, since the accident was outside the Coast Guard's jurisdiction, no Coast Guard investigation was conducted. The Board has not conducted a separate public hearing under the provisions of the joint regulations. Nevertheless, there have been several instances when a Board-directed investigation or hearing was seriously considered, but eventually rejected since the Coast Guard was firmly committed to conducting its own public hearing.

In retrospect, the Safety Board believes that in at least two of these instances the interests of the public and our agencies would have been better served if the Coast Guard had participated in a Safety Board hearing rather than the reverse. The most recent incident involved the collision in Tampa Bay between the USCGC BLACKTHORN and the SS CAPRICORN. As you know, there were numerous public challenges to "the Coast Guard investigating itself." Likewise, there were strong pressures for the Safety Board to conduct its own public hearing. This placed the Board (and the Coast Guard) in a very awkward and often embarrassing situation. In addition, the Board is unaware of any substantive difficulties for the Coast Guard were it to participate in a Safety Board hearing as against its conducting a marine board investigation. Consequently, the Board believes that in the future it must plan to conduct the investigation of major marine casualties involving a Coast Guard vessel and a non-public vessel. In these instances the Board would want the Coast Guard to cooperate

in the Board's investigation using its resources to assist the Board and thereby avoiding the need for duplicative hearings and administrative tasks.

The Independent Safety Board Act of 1974 identified for special consideration a separate category of accidents involving public and nonpublic vessels, and the joint regulations include appropriate implementing guidance. However, Coast Guard investigations for the Board of some accidents which involved U.S. Navy vessels have been incomplete because Navy witnesses have not been called for direct examination. Many of the public and nonpublic vessel accidents carry the implications of Federal misfeasance or nonfeasance. The Safety Board believes many of the associated difficulties can be obviated if the Safety Board conducts the investigation in appropriate cases.

In order to apply the Safety Board's resources to those cases which are most appropriate for its own investigation, a loss threshold for public vessel accidents is needed to limit the occasions when the Safety Board is committed to exercising its jurisdiction. The establishment of a loss threshold for these accidents could be made by a minor amendment to the joint regulations since both the Coast Guard and the Safety Board each have authority in such accidents under the Act. We suggest a minimum threshold of one death or a damage loss of $100,000.

The Independent Safety Board Act requires the Safety Board to determine the ". . .facts, conditions, and circumstances . . ." as well as the cause or causes of certain marine casualties. In those accidents which the Coast Guard investigates for the Safety Board and in which a verbatim record of the testimony is not prepared or sketchy supporting documentation is gathered, the data are sometimes not adequate and frequently barely adequate for our purposes. Formal Coast Guard investigations, in which testimony is recorded under oath, would overcome most of these deficiencies. Since the recording of testimony in such investigations would increase the costs to the Coast Guard, the Safety Board is willing to share the costs of reporting services to improve the quality of those investigations.

In the case of accidents investigated by the Coast Guard under the joint regulations (particularly those without NTSB participation), delivery of the Coast Guard investigative data and records has taken, on the average, about 13 months from the date of the accident. While there appear to be some recent reductions in this delivery delay, the Safety Board believes that timeliness is an important quality factor in the value of an investigation and that an average time of 6 months should be established for providing the investigation record to us.

Although in most instances the Coast Guard has notified the Safety Board promptly of the occurrence of accidents falling under the purview of the Safety Board, there have been instances in which it appears Coast Guard field units were unaware of their responsibility to report the accident for relay to NTSB (we recognize that there are cases when the Coast Guard unit could not determine promptly that the monetary loss established Safety Board jurisdiction).

Although we recognize the need for hearings to be commenced expeditiously in many major marine casualties, some Coast Guard hearings have been scheduled on extremely short notice which allowed Safety Board representatives little time to travel to and prepare for the hearings. In some cases, in our view, the public hearing phase of the investigation has been undertaken earlier than necessary without compelling reasons for doing so. We believe that in scheduling hearings the travel requirements for Safety Board representatives ought to be one of the factors considered. Better communication and coordination between Coast Guard and Safety Board staffs can resolve such difficulties and similar ones involving agreement on such matters as the release of witnesses who will not be available thereafter and security of the accident site until the evidence has been documented. We also believe a more effective investigation would usually result if the public hearing phase were to be scheduled for a reasonable time after the accident to allow for better preparation in those instances where earlier commencement is not compelled by the circumstances.

We believe most of the points discussed above can be implemented administratively, and we would be pleased to meet to discuss them in more detail. We are confident that a meeting for a candid discussion regarding our mutual interests would be a fruitful effort and would permit us to discharge our respective responsibilities in a manner more satisfactory to both agencies and to the public we serve. We would welcome your views in this regard.

Sincerely,

ORIGINAL SIGNED BY/ JAMES B. King

James B. King
Chairman

INVESTIGATORY JURISDICTION

Senator Andrews: On page 976 of last year's Senate testimony you state: "Our goal is to legally establish the Board as the principal Federal accident investigation authority in the rail, highway and pipeline modes." You noted that such authority already exists for aviation. How successful have you been in attaining this goal and why do you attribute so much importance to this?

Response: In 1975 the Board negotiated a "Reimbursable Memorandum of Agreement Between Department of Transportation and National Transportation Safety Board." This interagency agreement establishes the Board as the lead Federal agency in any accident it chooses to investigate in aviation, highway and railroad. It provides for joint participation in the pipeline mode. Since this agreement has been in effect for 5 years and the agreements have provided for successful operation, it is reasonable that it be extended to include the pipeline mode and be enacted into law.

This arrangement is necessary and does avoid duplication of effort and confusion during the on-scene investigation of major transportation accidents. It provides for one Federal spokesman, assures uniform and complete investigative procedures and the efficient use of the various areas of expertise and technical facilities of the various agencies involved.

The Safety Board's Pipeline Accident Division has noted this last year that the Office of Operations and Enforcement (OOE) of the Materials Transportation Board has, more often than not, been leaving pipeline accident investigations to the Safety Board. Occasionally, when OOE does send personnel to an accident site because of its magnitude or media exposure, they cooperate with and rely upon the Safety Board during the on-going investigation.

This procedure has been beneficial to the OOE in that it leaves them with more personnel to perform their compliance and surveillance work where their expertise lies. In turn, this leaves the Safety Board's Pipeline Accident Division free to pursue unhampered, its accident investigation activities and this allows the pipeline company involved, to deal with just one, not several Federal agencies.

Legislative changes incorporating the language of the interagency agreement were a part of the NTSB authorizing legislation approved by the full Senate in the last session of Congress. We anticipate identical legislation to be introduced in the very near future.

SUCCESS IN REGULATORY CHANGE

Senator Andrews: Summarize your experience with each of the major transportation agencies whose responsibility includes deciding whether to implement your recommendations. Which have been the most responsive and which the least?

Response: The table below lists the various modal administrations within the Department of Transportation:

Department of Transportation
Modal Administration Receptiveness
to NTSB Recommendations

AGENCY	TOTAL RECOMMENDATIONS	NUMBER ACCEPTED	%
FHWA	273	173	82
FAA	1298	998	81
NHTSA	154	107	75
USCG	516	347	77
FRA	310	206	73
UMTA	26	20	87
RSPA (Pipeline)	147	103	81
RSPA (Hazardous Materials)	57	24	53

NOTE: These totals were calculated by adding closed and open acceptable and acceptable alternate action, substracting the total awaiting action from the total issued, and the percentage is the remaining total divided by the total accepted.

(CAA + CAAA + OAAA) / TOTAL - (OAR + ORR)

HUMAN PERFORMANCE FACTORS

Senator Andrews: What action have you taken to accurately identify the human performance aspects of accidents?

Response: For some time the Board has recognized the need to identify the underlying causes of pilot error which account for about 85% of all fatal general aviation accidents and for about 60% of all air carrier accidents. The Board has taken two concrete steps to attempt to learn more about this aspect of accident causation.

The first step it has taken is to revamp its data collection system which in the past concentrated on the mechanical aspects of accident causation. The improved data system will attempt to collect the answers to the underlying reasons why pilots make errors causing accidents. These errors may have been caused by inadequate training, inadequate proficiency in the aircraft, insufficient appreciation of the weather conditions encountered or just plain overconfidence on the part of the pilot. Collection of these factors will allow in-depth analysis and determination of remedial actions to alleviate these conditions through effective recommendations.

The second step the Board has taken is to broaden the depth of its investigations in human performance factors by hiring an engineering psychologist as a program manager who is to develop a broad-based program concerning the investigation and analysis of human performance capabilities and limitations. The Board anticipates that this program will provide both educational as well as remedial benefits in our efforts to reduce pilot error-related accident causes. However, success of the program will depend heavily on the extent to which the Board will be able to staff this effort adequately.

Senator Andrews: Generally speaking, what is the causal significance of human performance aspects of aviation accidents relative to other factors? How about rail and highway accidents?

Response: During 1979 there were 4,005 general aviation accidents involving 664 fatal accidents. The pilot was cited as a cause/factor in 80% of all accidents and in 85% of the fatal accidents. Comparatively, powerplants were cited as a cause/factor in 15% of all accidents, the landing gear in about 3.5%, and the airframe only in about 1% of the accidents. Other broad cause/factors are personnel (9%); systems (1.5%); instruments/equipment and accessories (0.5%); rotorcraft (1%); weather (22%); terrain (22%); miscellaneous (4%); and undetermined (2.5%).

The Safety Board does not investigate sufficient accidents in the railroad mode of transportation to statistically determine the significance of the human causal aspects versus other cause factors. In those accidents that the Board has investigated over the years, however, it has found that the human factor accounts for about 50% of the accident causes. The larger statistical base provided by the Federal Railroad Administration reveals that human factors account for about 38% of railroad accident causes. This compares to about 25% of the accidents attributed to track roadbeds and structures, 19% to mechanical and electrical failures; and 18% to miscellaneous accident causes.

In the highway mode of transportation, some studies indicate that 90% of the highway accidents are human related. Again, the Safety Board's statistics are insufficient to make a comparison between human and other cause relationships. However, there are other recent studies which argue

that the driver often is blamed for errors when he, in fact, is over extended by the profusion of directives, warnings, traffic flow signals and highway markings.

In recent efforts to compensate for these problems, other components of the highway system are being improved, including much improved crashworthiness protection for vehicle occupants, improved road pavements, more definite traffic signs, signals and markings, to name only a few. However, we still have a long way to go in understanding the broad spectrum of drivers and in educating them in the environment in which they travel.

Senator Andrews: On page 9 of the budget, it says that the human factors personnel which you are requesting will initially focus on aviation. Why is that? Will any be devoted to highways?

Response: As you know, the Safety Board's ADP system is aviation oriented and has been a significant source for the development of the Board's recommendations and Special Studies. As a result of the Board's revamping of its aircraft accident data collection system, the ADP system will provide even greater flexibility and analytical capability to attack the major areas of accident causation from a human factors standpoint.

The Board's expanded human factors program initially will utilize the data to be gathered and stored in an effort to recommend viable improvements in the crashworthiness of general aviation aircraft. This is the primary focus of the program since this data may be more readily collected, and, in fact, our present system contains much of the data necessary to address this problem. A secondary focus will be an effort to reduce pilot related causes of accidents.

Therefore, the reason for the the Board's human factors focus on aviation is because its existing aviation accident data base forms an ideal source to validate its expanded human factors program. The program is designed, however, to provide human factors expertise in the highway, rail and marine modes as the program matures.

LABORATORY CAPABILITIES

Senator Andrews: Your request includes an increase to improve your laboratory capabilities. Describe in detail these needs? Are there other alternatives, such as shared facilities with other government agencies that could reduce your costs?

Response: The NTSB laboratories consist of the Flight Data Recorder Laboratory, the Cockpit Voice Recorder (Audio) Laboratory, the Aircraft Performance Engineering Section, and the Metallurgical Laboratory. In FY '82, we have requested the following:

1. To update the flight data recorder (FDR) readout system for foil-type crash recorders -- the lab's optical readout system for foil recorders is now 18 years old and will have to be refurbished in 1982. Foil recorders are now flying aboard 2,200 U.S. air carrier aircraft and an NTSB readout capability is absolutely essential to the Board's mission of determining probable cause for air carrier accidents ($3,000).

   There are two of these foil recorder readout systems in the world. The NTSB has one, the other is in Australia. No other

U.S. government agency has a capability to read foil recorders. The Board's FDR laboratory is unique; our facility is not duplicated by FAA. The lab supports aviation worldwide, a necessary function since aircraft are the U.S.'s number one export after agriculture. On occasion, we perform readouts for FAA and the U.S. military. We also support foreign governments in their accident investigations.

2. To purchase a readout system for a new type of crash recorder, a digital FDR currently being marketed -- Sundstrand Data Control has begun to manufacture a new digital FDR which is totally different from all presently available recorders. Hence, no equipment that the lab presently has available can decipher this new recorder. It is absolutely necessary that NTSB have a readout facility for this device. The so-called UFDR will be flying in commercial service as of June 1, 1981, when Republic Airlines' first DC-9-80 will be delivered. Douglas will deliver 10 aircraft to Republic between June and December that will be equipped with the UFDR.

   In addition, Sundstrand has signed a contract with Boeing to install the UFDR on B-757 and B-767 aircraft.

   The lab equipment will consist of a copy recorder and an interface unit. Such equipment will be necessary if the NTSB laboratory is to do crash recorder readouts on aircraft equipped with this new type of flight data recorder. As is well known, flight data recorder readouts are critical to the determination of probable cause.

   The cost quoted to the laboratory was $28,000.

   No government agency, including FAA, has this facility available. According to our information as of March 2, 1981, Douglas Aircraft plans to purchase such a facility because they expect Sundstrand to charge them $2,000 per readout. Of course, Douglas could not be expected to perform recorder investigations for NTSB. Sundstrand, historically, has been able to make data tapes for NTSB, but has not been able to do the computer work necessary to decipher the tapes and present the data in useful tabular and graphical formats. Hence, a delay of 4-5* days would result in our depending on Sundstrand for service. This is unacceptable in air carrier investigations where the immediate readout of flight recorder data plays a major role.

3. To purchase four notching filters for the Audio Laboratory -- notching filters are needed to remove single-frequency, aircraft power supply-generated noise from the cockpit voice recorder (CVR) tapes. Such extraneous noise is now an obstacle to the CVR investigation group in its attempt to transcribe the tape. Four filters will allow filtering of the fundamental power frequency (400 Hz) plus the first three harmonics (800, 1200, 1600 Hz) -$6,000.

*Sundstrand tapes must also be reformatted at the DOT computer center before NTSB can use them.

Again, the Audio Laboratory is not duplicated by FAA. NTSB has, on occasion, turned to the ultra-sophisticated FBI audio laboratory for help in special cases. The notching filters, however, are an "every day" item that will be useful in the investigation of most tapes.

The Audio Laboratory, like the FDR lab, is extremely important in supporting the Board's aircraft accident investigation mission. In addition, we perform services for the U.S. military and foreign governments.

4. To purchase portable nondestructive testing equipment -- this is needed to perform analyses on large pieces sent to the metallurgical lab (such as aircraft wing sections, landing gear, train wheels, and sections of pipeline), and for inspecting components for cracks and defects. This equipment may also be taken to the scene of major accidents for on-site metallurgical evaluations. Both ultrasonic and magnetic particle NDT testing equipment is necessary for these purposes -- ($12,000 as of June 1980).

   The philosophy behind the purchase of this equipment is to have portable test equipment immediately available in the lab to save time in certain critical investigations. To have to arrange with another government lab to use it, and to either travel to that lab with the metal parts or to bring the equipment to the NTSB would defeat the purpose of having this equipment in-house to foster all deliberate speed.

5. Miscellaneous ($8,000) -- to purchase:

   a. a hoist on wheels. This is necessary to handle heavy metallurgical parts. The hoist will be used to maneuver heavy parts within the laboratory. It will be particularly useful in manipulating items such as railroad wheels onto cutoff tables prior to sectioning.

   b. a 35 mm camera, filters, tripos, color-photography lights, and other associated equipment. These are necessary to photograph specimens when color is an important factor in a metallurgical examination, i.e., to document fracture stains and color differences which would not be picked up by black and white photography.

   c. at least one, preferably two, bench binocular microscopes. These are necessary for metallurgical examinations to support metallurgical laboratory group activities when large numbers of parts are under examination (e.g., the Chicago DC-10 accident or the Douglas DC-10 engine disintegration case which was in the lab in February 1981 at the same time as the LaGuardia B-727 landing gear failure and an Italian helicopter rotor failure).

   d. assorted hand tools. These are necessary to replace those worn or broken, to expand the metallurgy laboratory's disassembly capability.

e. a stereo pair viewer. This will be used to view stereo pair micrographs taken with the scanning electron microscope. Photographs viewed in this manner are capable of displaying an enhanced 3-dimensional effect.

Comments regarding the metallurgical laboratory: The Board's metallurgical lab is multimodal, having done cases in aviation, pipeline, railroad, and highway. The lab is not duplicated by FAA or other DOT facilities. In fact, on occasion we have performed work for FAA, as well as for foreign governments in support of U.S. aviation exports worldwide. Although the lab is well equipped, it is equipment that we use frequently. We do consult other U.S. government labs (e.g. FBI, National Bureau of Standards) on those occasions when we require special work to be done, such as the analysis of anonmetal part (e.g. plastic windshield failure), or the tensile testing of a sample. In those areas where our expertise or equipment must be supplemented, and it is not to our advantage to acquire the facilities, we know where to go for, and we do seek, assistance from other U.S. government labs and from industry labs.

The Board's metallurgical lab has built up a tremendous amount of expertise in transportation work. NTSB transportation investigations are supported by our expert work, objectively done. Our major investigations are handled by the metallurgical lab in a timely manner with immediate feedback and coordination.

OTHER SERVICES

Senator Andrews: One fourth of your proposed increase for FY 82 is attributable to "other services." Provide for the record a detailed breakdown of the dollars requested for each of these items, how it compares with each of the last 2 years, and the specific reasons for the increases.

Response: Provided below is a breakdown of the increases in other services. Of the $325,000 increase in other services, $161,000 is due to inflation which affects each of the items below. This year $223,000 is required for the Board to more fully investigate the human factors aspects of accidents. The additional costs are for pathological services, autopsies, cabin envelope structural analysis and contracts to provide analysis in skill areas unattainable in-house. A portion of the decrease in ADP reflects the change from ADP services to ADP equipment rental, and $59,000 of the decrease reflects the absence of a one-time programming cost on FY-1981.

	Fiscal Year		
	1980	1981	1982
On-scene accident costs	$ 254	$ 260	$ 450
Training tuition	136	262	275
Automated data processing	317	190	40
Repairs - building, equipment, vehicles	155	155	186
Contracts - court reporting	468	303	464
DOT Services - facilities, library	228	204	284
TOTAL	$1,558	1,374	1,699

TECHNOLOGY IMPACT ON NTSB

Senator Andrews: What has been the impact of the growth in new technology on the Board's ability to maintain state-of-the-art capability in accident investigation and oversight?

Response: The Safety Board's staff, those involved in conducting investigations, special studies, or oversight evaluations, are in a continual training cycle. Generally the training consists of close associations with industry and research facilities. When a new product is being developed - for example, an aircraft such as the Boeing 757 or 767, our aviation staff will be given the opportunity to attend the training sessions which Boeing provides for customers of those aircraft. We will work with NASA to remain abreast of new developments - such as the Heads-Up display and other aircraft flight control and instrumentation advances. In the highway mode - our investigators may visit manufacturers proving grounds. In the railroad mode we will visit the Pueblo, Colorado test facility.

In some cases, new and particularly changing technologies do effect our capabilities. In aviation the transition over the years from mechanical systems to complex electronics and service controls both in the aircraft and air traffic controls have necessitated some changes in the type of expertise required. We attempt to accommodate these factors through our hiring program. For example, where we once had a cadre of mechanical hardware-oriented talent, we now often seek persons with a specialized engineering background. This is one area in which we fear that the reduction in personnel and continued hiring freezes could adversely affect our ability to stay abreast of new technology.

MANAGEMENT IMPROVEMENTS

Senator Andrews: What management improvements have you made in the last several years to use your resources in the most efficient and effective manner? (be specific).

Response: The Safety Board has not only accomplished many specific improvements in this area, but also institutionalized the processes by which they are developed using our SES and Merit Pay objective setting systems. The recent specific accomplishments are as follows:

1. The Board's accident data base is a significant resource for developing future safety improvements. In fact, the information generated from this source has supported nearly all analytical Board products for many years. A major effort was undertaken in FY 1980 not only to consolidate and enhance the capability of the existing automated systems, but also to evaluate and update the type of data required to support Board programs. This effort is representative of the Board's determination to stay abreast of information technology and fully exploit related productivity improvements. Specifically, as a result of a major task force effort in this area, the Board (a) plans to enhance its ADP flexibility and analytical capability by bringing all its applications into a single updated ADP system (b) update its aircraft accident data collection form to improve the usability of the data elements collected (c) expand its collection of human factors data essential to attack the major area of aircraft accident

causation and (d) develop an automated statistical analysis cability which will enable a major expansion of the usefulness of the data collected.

2. Human factors is one of the least studied and understood elements contributing to the cause or increased severity of accidents. Recognizing this, the Board has taken several innovative steps to focus more attention on this problem. First, as described above, the Board's accident data system has been extensively revised to collect and analyze more human factors aspects of accidents. It is likely that this new system will be adopted by the International Civil Aviation Organization as the standard for all member countries. Second, the Board has developed an expanded human factors program and made internal reallocations to provide over half the personnel required for the program.

3. Operational procedures and schedules were developed and published in FY 1979 to significantly reduce the processing time of major Board documents, including major accident investigation reports, initial Administrative Law Judge decisions on airmen appeals, highway accident reports, and non-major aircraft accident reports. This effort continued in FY 1980, with the issuance of procedures to reduce the report processing times for non-major railroad accidents and document the procedures for production of special studies and development of safety objectives.

4. A more structured marine accident investigation program was developed in FY 1978 as a result of the joint agreement between the Coast Guard and the Board. This agreement clearly defined each agency's responsibilities to minimize duplicate investigations. In FY 1979, a policy was established governing the types of reports the Board would issue with respect to various major marine casualties. This policy allows more timely reports on major marine casualties with significant safety potential. In FY 1980, a review of Coast Guard/NTSB joint regulations for investigation of major marine accidents led the Board to propose changes to the Coast Guard to improve the efficiency, timeliness, and objectivity of marine investigations.

5. Beginning in FY 1979, the Board has made organizational refinements to reallocate positions to higher priority programs and to reduce overhead. The functions of the Bureau of Plans and Programs were reassigned to other bureaus where a close interaction and coordination with the technical staff could occur. As a result, the special studies staff was transferred to the Bureau of Technology and an Office of Evaluations and Safety Objectives was formed with specific oversight responsibilities which are more defined than those previously assigned to the Bureau of Plans and Programs. The training function was combined with the personnel responsibilities to reduce the resources involved and provide a more coordinated effort. In FY 1980, this process of organizational refinement continued with the result that the formerly separate Offices of Government Affairs and Public Affairs were combined into a single office to reduce

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organizational compartmentalization; resources formerly assigned to the Office of the Chief Scientist were reallocated to improve staff utilization; a word processing center to serve all Board organizations in the production of major products was established to reduce clerical resource requirements; and a centralized automated dictation/transcription center was instituted to facilitate agency correspondence processing.

6. Also in FY 1979, a comprehensive evaluation of the organizational efficiency of the Board's field office structure (where approximately 30 percent of the Board's total resources are located) was initiated. The first action taken as a result of that evaluation was the consolidation of the Los Angeles and Oakland Field Offices. Included as part of this consolidation was the transfer of a portion of the Office of Administrative Law Judges to the Los Angeles Field Office to save travel time and transportation costs. In FY 1980, the Dulles field office was closed and resources were redistributed to the New York and Atlanta field offices, and plans are being completed to transfer an Administrative Law Judge to Denver to hear appeals in that region.

7. A more systematic process for managing the special study program was implemented in FY 1979. The process requires: (a) conducting feasibility studies before committing major resources to a study topic, to provide greater assurance that supportable safety recommendations will be forthcoming; (b) phased planning and submission of special study topics throughout the fiscal year to prevent the development of backlogs of approved subjects awaiting study and to assure that the subjects undertaken for study deal with the most current safety problems; and (c) selecting topics of a manageable scope, which typically could be completed within one year. The number of special studies completed as a result of this process was 6 in FY 1979 and 7 in FY 1980, as compared to 1 in FY 1978.

8. The initial year of an organized effort focusing on specific, safety objectives was successfully completed in FY 1979. This approach to improve the effectiveness of Board programs reaffirms the Board's desire to insure implementation of the most important safety changes it identifies. The program has shown visible and useful improvements in transportation safety, and has become an essential element of the Board's FY 1980-1982 program plans.

9. A cooperative education program was established in FY 1979. This program, which is also part of the Board's affirmative action efforts, will provide some of the necessary talent to meet future personnel needs. The first "graduate" of this program successfully competed for an entry level permanent Board position in FY 1981, and several others will soon have the same opportunity.

10. During FY 1980, an internal management study was conducted to review the utilization efficiency of the Board's clerical positions. As a result of this study, six clerical positions have been abolished and redistributed as technical positions in order to implement high priority Board programs. An additional 12

clerical positions have been eliminated in FY 1981, as a result of additional management improvements, and the need to accommodate directed employment level reductions. Such internal reviews are a continuing part of the Board's efforts to more efficiently use its available resources.

11. During FY 1980, the Board has placed major emphasis on improving the output, utilization, and capabilities of its own human resources. It has implemented the Senior Executive Service system within the Board, establishing organizationally interdependent, quantifiable performance standards for most positions with the underlying management goal of applying the merit pay system to supervisory and management employees with implementation on February 1, 1981; it has established and implemented a formal management development program; it has developed a 5 percent improvement in productivity; it has moved swiftly toward standardized technical training program for all technical positions; has further refined its training policy and implemented its most extensive technical training program in FY 1980; and it has made significant progress in equal employment opportunity during the past two fiscal years.

12. During development of the 1979 Budget, the railroad accident investigation emphasis was redirected from pedestrian fatalities to derailments. This change assures that Board resources will be involved in accident investigations which have a greater potential for safety improvement.

13. In the highway mode, the interrelationship of the various parts of the Board's highway safety program was clarified in FY 1980; formal criteria governing the types of highway accidents the Board would investigate and the format in which such investigations would be reported were approved; and positive steps were taken to establish cooperative, uniform accident notification arrangements with all of the States.

PROPOSED LEGISLATION

Senator Andrews: Summarize for the record the legislation you intend to propose this year as amendments to the Independent Safety Board Act?

Response: The Board is seeking three minor changes in our authorizing statute, the Independent Safety Board Act of 1974 (P.L. 93-633).

The first change sought by the Board is a clarification of Section 304(a)(6) of P.L. 93-633 to reflect existing Board regulations governing aviation incident reports. Part 830 of the Board's regulations require an aircraft operator to report, upon request, aviation incidents in five categories specified in the regulations. The Board's authority to require these reports and to investigate such incidents derives from Section 304(a)(6) although the statute is not specific in this regard. Historically, the requirement of filing incident reports with the Board upon request has been an accepted practice. However, upon occasion, some operators have been reluctant to cooperate due to the lack of specificity in the authorizing statute.

Incident reports provide an early warning of problem areas which, if corrected, can avoid the ultimate tragedy of a catastrophic accident. The Board has always regarded selected investigation of such incidents as a vital part of its mandate from the Congress.

The second amendment to Section 304(a) would reduce the potential for duplicative investigations of accidents by officially recognizing in the statute, the traditional and de facto relationship between the Board and other Federal agencies during the investigation of an accident. Our amendment would make it clear that the Board has the lead responsibility for accident investigation for the rail, highway and pipeline modes in the same capacity that it has for aviation under the Federal Aviation Act of 1958. By following the same procedures used in aviation accident investigation -- the "party system" -- other Federal agencies would be assured of adequate information to carry out their responsibilities while at the same time avoiding unnecessary duplication. This amendment is consistent with an interagency agreement signed by the Safety Board, the Federal Railroad Administration, the National Highway Traffic Safety Administration, the Federal Highway Administration, and the Office of Pipeline Safety in 1975.

The third perfecting amendment to the statute would specify the Board's authority to acquire physical evidence for examination and testing as part of its investigation of accidents in the surface modes. The Board has been exercising its authority to examine physical evidence in the surface modes under its broader statutory powers or has relied upon State and local impoundment authority. Some States and local law enforcement agencies have the authority to impound evidence and have been willing to do so for the benefit of the Board's investigators. However, not all jurisdictions have such authority and the Board has found itself in at least one instance of having to go to court to obtain physical evidence (in this case a piece of plastic pipe).

TRAINING

Senator Andrews: What impact will the hiring freeze and budget cuts have on your agency's training budget? How much do you spend on training and how much of the training is devoted to technical subjects versus management subjects?

Response: We expect that both the hiring freeze and budget cuts will hurt our training program. As the freeze and cuts in positions reduce the number of investigators and technical specialists in critical positions, we will have to cancel planned training to keep our specialists on "go-teams" for major accident investigations. Moreover, significant dollar cuts will probably require us to cancel a substantial portion of our training program to conserve sufficient funds to keep the agency running. Training is one of the very few areas in which the Safety Board has any discretionary funds. Finally, the hiring freeze will probably force the Safety Board to eliminate the Cooperative Education Program which was designed to attract outstanding young females and minorities.

Of the Safety Board's FY 1981 training budget of $363,000, about 75 percent ($273,000) is devoted to technical training, with the remainder managerial and supervisory training.

Senator Andrews: Can you supply a breakdown of last year's training expenditures by organizational unit? Include expenditures for Board members.

The information follows:

Organization	FY 1980 Training Expenditures
Offices of Chairman, Vice-Chairman, Members	$ 2,805
Office of Managing Director	7,368
Bureau of Accident Investigation	67,904
Bureau of Technology	41,800
Bureau of Administration	35,433
Other Offices (General Counsel, Gov/Public Affairs, Evaluations and Safety Objectives, and Administrative Law Judges	6,021
Common Cost (Benefitting all Organizations)	12,291
	$173,622

TRAVEL

Senator Andrews: What steps have you taken to reduce travel expenditures?

Response: Understanding that travel is absolutely essential to the conduct of accident investigations and the maintenance of technical expertise, the Board has, for many years, taken specific actions to minimize nonessential travel expense. In FY 1980, travelers were required to use GSA contract airline flights, GSA contract vehicles, and were provided lists of hotels offering reduced government rates. Conference travel was limited to meetings likely to result in a positive safety impact, and often when Board employees were asked to make presentations, the sponsoring organization was asked to provide transportation and lodging.

Further action was taken early in this fiscal year, with an in-depth management study of assigned vehicle usage. As a result, savings from reduced usage are estimated at $25,000. Additionally, aircraft rental for accident investigations will be restricted to only those investigations having significant safety impact. Permanent change of station travel has been cut-off, and Administrative Law Judge hearing and training travel reduced.

While every effort is being made to live within the travel guidelines, we cannot accurately anticipate accident rates, and therefore may require relief later this fiscal year to continue operating, as was the case in FY 1980.

Senator Andrews: Does the Board have any of its own vehicles? Do you utilize DOT Aircraft at all?

Response: The Safety Board currently has 37 GSA vehicles assigned to its 10 field offices, and 3 vehicles assigned to the Washington headquarters. Approximately 1/3 to 1/2 of the vehicles will be turned in this year based on an internal study we started last fall. We utilize DOT aircraft only infrequently, perhaps two or three times per year.

Senator Andrews: How many and what kind of people typically go to a major accident site? (For example, the recent incident in California involving an Air California B-737 versus the bus crash near Quantico, Virginia.)

Response: The number and kind of people who respond to major aviation accidents vary from an Investigator-in-Charge and 4 specialists in a small commuter accident to an Investigator-in-Charge and 10 or 11 Specialists as in the DC-10 accident in Chicago or the midair collision over San Diego. The complexity of the accident dictates the number and kind of investigator involvement. Much the same is true in the surface modes, in that, from two to five or six persons from the Safety Board may be involved, again, dependent upon the complexity of the accident.

As for the example you used Senator Andrews, an Investigator-in-Charge, a representative of the Boards' Office of Public Affairs, and five specialists in operations, air traffic control, human factors, systems, structures, and powerplants responded to the Air California B-737 accident. Whereas, an Investigator-in-Charge, a Board Member and her assistant, a representative of the Board's office of Public Affairs, and three highway specialists in highway/environment, human factors, and vehicle factors responded to the bus accident near Quantico, Virginia.

Senator Andrews: Tell us about the Heritage Report regarding your staff. What were the findings and what comments do you have on the report?

Response: The Safety Board has taken no position in response to the Heritage Foundation report. We have, on an informal basis, examined many of its findings and recommendations. Our staff has indicated to me that there are no new suggestions as to the operation of the Board in the report, and that, indeed, many of the recommendations are also found in the General Accounting Office review of the Safety Board completed in May of 1980. A copy of the Safety Board's letter to the Senate Appropriations Committee dated July 28, 1980, in response to the General Accounting Office review is attached. The Safety Board would be happy to discuss any of the observations or recommendations of the Heritage Foundation with any of the authors of the report at any time.

JUL 28 1980

Honorable Warren G. Magnuson
Chairman
Senate Committee on Appropriations
Washington, D.C. 20510

Dear Mr. Chairman:

During the past year, the General Accounting Office (GAO) has been thoroughly reviewing the programs of the National Transportation Safety Board. In its review, the GAO spent many hours with the staff of the Board and with the staffs of other governmental transportation agencies and the transportation industry. The GAO conducted a comprehensive, objective review of our programs which provided additional insight into the provisions of the Independent Safety Board Act. I am pleased that, while the GAO letter of May 28, 1980 (CED-80-101) pointed out improvements which could be made, it also recognized the progress the Board has made in the last few years to improve its programs. As a result, GAO identified only one area, long-range planning, in which improvement is recommended. Specifically, the GAO recommended that the Safety Board:

--Separate strategic planning from the budget process by requiring a specific long-range plan.

--Assure that the long-range plan includes a clear definition of the Board's mission; specific, quantifiable goals and objectives; and priorities for achieving these goals and objectives.

--Strengthen the Board's budget process by requiring that the budget show (1) the total resources that will be used to carry out specific Board programs, activities, or functions, (2) how Board programs and activities relate to short-term objectives, and (3) how Board programs, activities, and short-term objectives relate to the long-range plan.

--Assure that a formal program evaluation plan is developed for determining whether Board programs and activities are achieving established goals and objectives, meeting performance expectations, or producing other significant effects. Because the Board has only one program analysis officer, who has dual responsibilities, assure that sufficient resources are available to implement the program evaluation plan.

Since the Independent Safety Board Act mandates the investigation of accidents as the Board's primary mission, long-range planning for our major program is impracticable. No one can plan for the requirements arising from a major accident. However, as Chairman of the Board, I have consistently sought to improve the overall effectiveness of the agency by developing a better planning process. For example, the Board has an ongoing planning mechanism in its safety objective program. The safety objective program is our plan to influence the correction of current transportation safety problems, and the plan allows for the integration of all appropriate Board functions to ensure that the safety objectives are accomplished.

Another major long-range planning effort is a program to improve collection and analysis of transportation accident data. This program was initiated about a year ago and will be completed within the next 4 to 5 years as human factors efforts are expanded. This major effort will enhance every aspect of the Board's safety responsibilities.

Board management is also involved in many other planning efforts. Our Senior Executive Service (SES) performance evaluation system involves the establishment of specific, quantifiable program and management objectives. These SES objectives provide planning guidance to top management for several years in the future.

Other planning tools include specific 5-year affirmative action goals and annual training plans which consider not only training in the coming fiscal year, but also long-range training needs. Finally, our multi-year budgeting process, under the zero-base budget (ZBB) system, involves the development of both long-range goals and major objectives.

With regard to GAO's first recommendation, I do not believe the Board needs a strategic planning function separate from the budget process. Strategic transportation safety planning is not part of the Board's mandate, but is the responsibility of the Secretary of the Department of Transportation (DOT). Strategic planning is required for programs which have long lead times, such as the development of new transportation systems. The Board's primary role vis-a-vis the DOT's long-range transportation safety planning, I believe, is to provide feedback on the effects of that planning through its accident investigation, special study, recommendation, and oversight functions.

Planning of the Board's programs, however, is still necessary. But the Board's primary resource is personnel, which can be reallocated to meet changing requirements with a 2- to 3-year planning horizon. The Congress recognized these considerations by establishing a 3-year reauthorization cycle for the Board, rather than a 5- to 10-year cycle.

With regard to GAO's second recommendation, the Board's mission--to promote transportation safety--is already clearly defined in the Independent Safety Board Act. To distinguish between promoting and improving transportation safety would appear to be an academic discussion. The Act also specifies how this mission is to be accomplished--accident investigations, special studies and investigations, evaluations of the transportation safety of other government agencies, etc. Further definition of this mission would be unproductive. Also, a detailed definition could limit the resource flexibility necessary to meet unexpected demands during major accident investigations. For example, the Board's investigation of the American Airlines DC-10 accident in Chicago on May 25, 1979 at one time included 21 employees, many of whom were transferred from other program areas.

With respect to GAO's emphasis on objective setting, a major effort to establish quantifiable objectives has recently been undertaken. The planning efforts I addressed earlier include several, specific objectives. In addition, quantifiable management objectives for most of the Board's major end products have been established. Meeting these management objectives is critical to effectively meeting the Board's safety responsibilities.

The Board's mission has been the starting point for setting priorities and establishing quantifiable objectives. Historically, the Board's major emphasis has been the investigation of accidents and the determination of their probable cause. Accident investigation remains our first priority. The priorities for the Board's other programs, including special studies and evaluations, are determined in the process of allocating the resources applied to them. However, even these priorities are not set firmly since flexibility is important.

With regard to GAO's third recommendation to strengthen the Board's budget process to better relate programs, objectives, and resources, the Board's budgets are presented by organization rather than by program, an approach which was approved by the Office of Management and Budget (OMB) and Congress after the October 1, 1977, reorganization. The Board's initial budget request to OMB and the Congress uses the ZBB system. The

ZBB system was established to improve objective setting and to define budget terminology government-wide. As defined by the ZBB system, short-term objectives are to be accomplished in the budget year and are directly related to the major objectives, which may take from 2 to 10 years to accomplish. These objectives are described for each organization in the budget request, rather than for each program. This process has the advantage of establishing specific accountability and responsibility at the lowest organizational level. However, in order to show the relationship between organizational budgets and program objectives, the Board's FY 1982 budget request will include, within the confines of ZBB, data which bridges the gap between the two approaches. In addition, future Board budget submissions will include additional data on resources by activity and program.

The GAO's final recommendation for the development of a formal program evaluation system, is an area that has concerned agency management since the Board's existence, because it is difficult to measure accidents we have prevented. Even if NTSB had full safety regulatory authority over a mode or segment of transportation, the efforts of the industry and of research organizations cannot be discounted. The Board can point to certain safety improvements, such as the ground proximity warning system in aviation, the one-call system in pipeline, and the installation of head shields and shelf-couplers on railroad tank cars for which it was the prime mover, and can demonstrate the dramatic reduction in accidents since their implementation. However, even in these cases, the Board was not the only agency or organization involved. Thus, any evaluation of the effectiveness of the Board's program must necessarily be subjective.

Since the quantification of the benefits of specific safety improvements cannot be accurately distributed between the Safety Board and other organizations involved in the transportation system, the measure of how well we are doing is primarily based on whether organizational, managerial, and program objectives are being achieved. A formal program evaluation system exists as a result of the SES performance evaluation system. Based on the program objectives of agency management, each of the Board's top managers have been provided with specific, quantifiable objectives which are evaluated to determine the level of his/her performance. Only if an organization has effectively accomplished its objectives can the manager receive an outstanding performance evaluation. When the merit pay system is implemented on October 1, 1980 this same type of performance evaluation will provide an excellent method of evaluating division, office, and branch accomplishments.

As Chairman, I have welcomed the GAO's review of the Board's programs. The review has confirmed the soundness of the basic program, direction and thrust, and I will make every effort to refine the program planning process of the agency.

Sincerely yours,

ORIGINAL SIGNED BY/ JAMES B. King

James B. King
Chairman

Senator Andrews: The report emphasizes problems with editorial changes by the Board and suggests the Board ignores staff opinion. Please explain.

Response: At one time the Safety Board did experience substantial delay in processing staff reports and recommendations due to editorial changes requested by some Members of our Board. I feel this situation has improved markedly.

PERSONNEL APPRAISALS

Senator Andrews: What kinds of criteria have been established to implement Personnel Appraisal systems for SES and Merit Pay personnel?

Response: The basic criteria utilized in our SES and Merit Pay Performance Appraisal systems to measure performance are productivity oriented, based on an MBO approach. They have EEO and human resource management in all supervisory evaluations as a measurement device, and flow from the very top of the organization down through all SES levels to and through Merit Pay levels to ensure that employee's goals are tied to mission objectives.

Senator Andrews: How has "Quantity Versus Quality" of the work performed been balanced in Personnel Appraisals?

Response: Performance standards developed for both Senior Executive Service and Merit Pay employees include both quality and quantity factors. High quality is a precondition for any of the professional products for which employees are held responsible. Staff products presented to the Board must survive several levels of quality control within the staff. For the Agency, the Board Members are the final arbiters of quality. Most performance standards are geared to Board approval without the need for extensive or repeated revisions. In addition to quality assurance for each product, the performance appraisals also set out productivity standards for the total number of products.

INVESTIGATIONS

Senator Andrews: On page 23 of the Budget, you cite your criteria for selecting highway accidents to investigate. How many investigations did you complete last year in each category, e.g., five or more fatalities? What percentage of your highway resources did you utilize in each category?

Response: In 1980, the Board investigated 5 major highway accidents and 77 field level highway accidents. The categories are broken down as follows:

HIGHWAY INVESTIGATIONS

Category	Major	Field	Total	Percentage of Resources
5 or more fatalities	2	31	33	40
Schoolbus - 3 or more	1	0	1	05
Hazardous Materials	1	6	7	19
Alcohol	1	[illegible]	34	30
Others	0	7	7	06
Totals	5	77	82	100%

Senator Andrews: On page 21 of the budget, you say you investigate all railroad accidents involving a fatality? How many is that? Does that include what the railroads call "trespasser fatalities?" Does in include fatalities at railroad-highway grade crossings?

Response: The number of fatalities investigated by the Board is about 350 per year. This number includes employee fatalities both in the railroad and rapid transit industries and includes that called "trespasser fatalities" in both industries. It does not include fatalities at railroad-highway grade crossings.

PROGRAM ADMINISTRATION

Senator Andrews: What were the circumstances and rationale related to terminating the Office of Chief Scientist? What functions were performed by that office and how and where are they now being performed? What dollar savings, if any, were realized as a result of terminating this office?

Response: The rationale for my decision to abolish the Chief Scientist program, which consisted of two positions, is set forth in the attached letter of April 29, 1980. I also testified fully and was cross-examined as to the basis for my decision in a hearing before a Presiding Officer of the Merit Systems Protection Board (MSPB). The Presiding Officer's decision (copy attached) analyzed and sustained my action. Mr. Henry H. Wakeland, the former Chief Scientist, has filed a petition for review of that decision with the full MSPB; the petition is still pending.

I remain convinced that the decision to terminate the Chief Scientist program was sound. The functions formerly performed by the Chief Scientist are not being performed by anyone and there is no evidence that the mission of this agency has been harmed in any way. On the contrary, the abolition of the program freed Mr. Wakeland to work on other, important projects which would not have been accomplished or for which we would have to hire additional personnel. Mr. Wakeland's new duties have strengthened an important Board program -- highway oversight. He is project manager for a safety effectiveness evaluation of Federal Highway Administration and National Highway Traffic Safety Administration coordination of standards for small car safety.

APR 29 1980

Mr. Henry H. Wakeland
Engineering Advisor
Office of the Chairman
National Transportation Safety Board
Washington, D.C. 20594

Dear Mr. Wakeland:

This is a time of resource scarcity and a hiring freeze. The growing austerity in government dictate that we take specific actions which will improve the overall effectiveness and efficiency of the National Transportation Safety Board. It is particularly important for the top levels in the Board to set an example for the rest of the staff by eliminating nonessential and/or noneffective components.

A review of the impacts of the Chief Scientist program on Board products leads to the conclusion that this function is not cost effective. Accordingly, this letter is notice to you of a reduction-in-force from your present position as Engineering Advisor, GS-801-17, step 7 at a salary of $50,112.50 to the position of Special Assistant to the Director of the Office of Evaluations and Safety Objectives, GS-301-15, step 10 at the $50,112.50 salary rate. This action will be effected on June 1, 1980. The reason for this action is that your present position is being abolished because the contribution to Board products does not offset the costs.

Since this action releases you from your present competitive level at the GS-17 grade, you are entitled to an assignment to the best available position under reduction-in-force regulations. You, therefore, would be entitled to exercise your bumping rights and bump into the position of Supervisory General Engineer, GS-801-15, Chief of the Laboratory Services Division in the Bureau of Technology. However, I have decided to offer you an equivalent position, which is a requirement under the regulations, of Special Assistant to the Director of the Office of Evaluations and Safety Objectives, GS-301-15.

The competitive area in this reduction-in-force action is all positions at the National Transportation Safety Board in Washington, D.C. You are a subgroup IA employee since you are a career veteran with a service computation date of August 5, 1964. You are the only employee in your present competitive level since all other GS-17 positions are in the Senior Executive Service, which is exempt from this reduction-in-force action.

You may inspect the regulations covering this action by contacting a member of the Personnel and Training Division. In addition, Robert Pyle, the Personnel Officer, is available to discuss this matter with you, if you so desire.

You have the right to either accept or decline this offer. If you accept you will be placed in the position on June 1, 1980. If you decline you will be separated from the Federal service on May 30, 1980. You will have until close of business on May 9, 1980 to submit your written acceptance or declination of the offered position in the Office of Evaluations and Safety Objectives.

You may appeal this action to the Merit Systems Protection Board anytime during the period beginning with the day after the effective date of the action but not later than twenty (20) days after the effective date. Mr. Pyle will provide you with the necessary information to file an appeal, if you so desire.

Please forgive the stiff formal tone of this letter. In a situation of this sort I am required by regulations to formally advise you. I have the highest regard for you personally and for your commitment to safety. I hope that you will be able to adjust to your new responsibility and be an effective producer in the Office of Evaluations and Safety Objectives. Mr. Roy Anderson will be instructed to insure that you are assigned product oriented projects which will require your engineering background. We will be looking forward to presentation of resulting products in the Board room.

Sincerely,

James B. King
Chairman

Signed: Received April 29, 1980 H. Wakeland

Date: _____

UNITED STATES OF AMERICA

BEFORE THE MERIT SYSTEMS PROTECTION BOARD
WASHINGTON FIELD OFFICE

IN THE MATTER OF	
HENRY H. WAKELAND	DECISION NUMBER: DC0351801157
v.	DATE: October 8, 1980
NATIONAL TRANSPORTATION SAFETY BOARD	

INTRODUCTION

Appellant filed an appeal on June 19, 1980, from his demotion by reduction-in-force (RIF) action from the position of Engineering Advisor, GS-17, to the position of Supervisory General Engineer, GS-15, effective June 1, 1980.

JURISDICTION

As the notice of RIF action was issued by the agency subsequent to January 10, 1979, the appeal is governed by the provisions of the Civil Service Reform Act of 1978 (the Reform Act). See Pub. L. No. 95-454, sections 902(b), 907, 92 Stat. 1224, 1227.

The agency effected this action under 5 C.F.R. section 351.201 et seq., regulations which were promulgated pursuant to 5 U.S.C. section 3502. Appellant is entitled to appeal this action to the Board. See 5 U.S.C. section 7701(a) (1979); 5 C.F.R. sections 351.202, 351.901 (1980).

ANALYSIS AND FINDINGS

An agency effecting an action under 5 C.F.R. section 351.201 et seq., has the burden to prove that its decision was supported by a preponderance of the evidence. 5 U.S.C. section 7701(c)(1)(B); 5 C.F.R. section 1201.56(a)(1)(ii). The agency's burden of proof consists of two elements. The agency must prove

that it properly invoked the RIF regulations for management considerations of the character appropriately committed to agency discretion ("lack of work, shortage of funds, reorganization, reclassification due to change in duties, or the exercise of reemployment rights or restoration rights", 5 C.F.R. section 351.201(a)). The agency must also prove that it complied with the substantive requirements of the RIF regulations as they specifically apply to the individual employee. However, the employee is required to identify the alleged impropriety in the agency's invocation or application of the RIF regulations with sufficient specificity to enable the agency to address the contested matters in its presentation of evidence. Losure v. Interstate Commerce Commission, MSPB Docket No. DC035199008 at 8 & n. 6 (June 2, 1980). Even if the agency meets its burden of proof, the decision may not be sustained if the appellant proves that the decision was based on a prohibited personnel practice. 5 U.S.C. section 7701(c)(2); 5 C.F.R. section 1201.56(b).

Upon consideration of the entire record, I find that the agency met its burden of proof; I find that appellant failed to prove that the agency's decision was based on a prohibited personnel practice.

Appellant does not contend that the agency erred in the application of the substantive requirements of the RIF regulations to him, and I do not find error on the face of the agency's actions in this regard. Appellant contends that the agency did not invoke the RIF regulations for proper management considerations, but rather that the agency's stated reason for the RIF was a pretext to enable the agency to demote him for personal reasons in circumvention of his right under 5 U.S.C. Chapter 75 to adverse action procedures. Such action by an agency is prohibited. See Fitzgerald v. Hampton, 467 F. 2d 755 (D.C. Cir. 1972); Keener v. United States, 165 Ct. Cl. 334, 338 (1964); Losure v. Interstate Commerce Commission, MSPB Docket No. DC035199008 at 6. However, I do not find that such action occurred in this case.

James B. King, Chairman, and Chief Executive Officer of the agency, made the decisions to create and to abolish appellant's position. After he became Chairman in March 1978, he created the position of Chief Scientist to be his advisor on the technical and scientific aspects of transportation safety. In December, 1978, he asked appellant, who had held various GS-17 positions at the agency since its inception 13 years ago, to serve in the position. On April 29, 1980, the Chairman notified appellant that the position was abolished because of his determination, in light of resource scarcity and a hiring freeze, that the position was not cost effective. In his testimony, the Chairman stated that the abolition of appellant's position was the latest in a series of actions which the agency had taken to eliminate overhead. James Shepard, Managing Director of the agency elaborated on these actions, whioh included the consolidation of field offices and the reassignment of Administrative Law Judges to the West Coast where most of their cases originated. Although appellant contended that there was inconsistency in the agency's statements concerning the reasons for the abolition of appellant's position, I find no such inconsistency. The Chairman testified that he was satisfied that the Chief Scientist position served its intended purpose, but in view of the resource scarcity and hiring freeze, he decided that the resources encompassed in the position would be devoted to higher priority needs of the agency. The Chairman and Shepard stated that the Chief Scientist basically served in an advisory capacity, but there was a higher priority for positions whose incumbents would complete the reports and studies for which the agency was responsible. Appellant's position was

viewed as "overhead", whereas the latter types of positions were considered as more "product oriented". Appellant asserted that his position greatly enhanced the agency's work products, and it would have done so even more if he had been permitted to have more direct communication with the Board Members. The agency agrees that appellant's position enchanced the agency's work products. However, even if those work products had been enhanced to a greater degree, it is clear from the testimony of the Chairman and Shepard that the agency wanted less "enhancement" and more work products. This is a determination that is clearly within the agency's discretion. It is clear also from the testimony of the Chairman and Shepard, and appellant's old and new position descriptions, that the agency furthered its desires in this regard by abolishing appellant's position and creating the position to which he was demoted. Although appellant stressed the fact that the Chairman did not conduct a formal written review of the merits of the Chief Scientist position, I find little significance in this matter. The Chairman, as creator and principal beneficiary of the Chief Scientist position, had ample knowledge to make an informed judgment in this matter.

Appellant contended that the real reason for the abolition of his position was the Chairman's feeling that appellant, by his actions vis-a-vis the Board Members, was becoming too visible and was becoming a threat to the Chairman's control over the Board Members. I find no merit to this contention. It appears that initially the relationship of the Chief Scientist with the Board Members was not clearly delineated. Appellant stated that initially the Chairman told him that he and appellant would have to "work out" this relationship. As the relationship evolved, appellant felt that the Chairman was placing overly narrow limits on his relationship with the Board Members. Although there was conflicting testimony as to the extent of those limits, the Chairman admitted that he had cautioned appellant not to give the appearance of being a "sixth Board Member". The Chairman stated that this statement was prompted by appellant's raising certain matters in a Board meeting without initially raising them with the other staff members. Apparently recognizing that the Chairman had the authority to determine how the Chief Scientist would function in the agency, appellant followed the Chairman's instructions concerning his relationship with the Board Members. Regardless of the different perceptions of appellant and the Chairman on the limits placed on appellant by the Chairman, appellant stated that he complied with all of the Chairman's instructions in this regard. Thus, as it was apparent to the Chairman that appellant would not resist his authority concerning the functioning of the Chief Scientist position, there appears to have been no motive arising from this matter for the Chairman to have abolished appellant's position.

Although Shepard told appellant after the abolition of his position that the position was too visible and too distant from the staff, Shepard explained that this statement was prompted by his perception that the reason why the staff rejected many of appellant's ideas was the organizational distance between the Chief Scientist and the staff. There was no evidence that the Chairman or Shepard perceived that appellant was not performing satisfactorily. Although appellant was the only employee who was adversely affected in the RIF, there appears to have been no reason for the Chairman to have taken the action for reasons personal to appellant.

Appellant contended that the agency committed a prohibited personnel practice under 5 U.S.C. section 2302(b)(1)(E) by effecting the RIF because of his political affiliation . I find no merit to this contention. Aside from the fact that appellant was a Republican and the Chairman was a Democrat who had campaigned for the election of President Carter in 1976, there was no evidence to support appellant's contention.

DECISION

Appellant's demotion by RIF action is affirmed.

This decision is an initial decision and will become a final decision of the Merit Systems Protection Board on NOV 12 19[illegible] unless a petition for review is filed with the Board within thirty-five (35) calendar days after the issuance of this decision.

Any party to this appeal or the Director of the Office of Personnel Management may file a petition for review of this decision with the Merit Systems Protection Board. The petition must identify specifically the exception taken to this decision, cite the basis for the exception, and refer to applicable law, rule, or regulation.

The petition for review must be filed with the Secretary to the Merit Systems Protection Board, Washington, D.C. 20419, no later than thirty-five (35) calendar days after issuance of this decision.

The Board may grant a petition for review when a party submits written argument and supporting documentation which tends to show that:

(1) New and material evidence is available that, despite due diligence, was not available when the record was closed; or

(2) The decision of the presiding official is based upon an erroneous interpretation of statute or regulation.

Under 5 U.S.C. 7703(b)(1), the appellant may petition the United States Court of Appeals for the appropriate circuit or the United States Court of Claims to review any final decision of the Board provided the petition is filed no more than thirty (30) calendar days after receipt.

For the Board:

Paul G. Streb

Paul G. Streb
Presiding Official

Senator Andrews: This committee will be talking with RSPA and will be examining its coordination and application of research among the modal administrations. Please provide any observations you have made on the coordination of research within the department as it relates to safety regulations or any other areas with which you may be familiar.

Response: Although we have not formally evaluated the activities of the RSPA, it is our experience that the agency lacks the strength within the DOT to act as a significant force for coordinating the activities of the modal administrations. An example of the difficulty it has had in coordination may be seen in the problems which have beset its attempt to develop a Hazardous Materials Information System.

Regarding the NHTSA and the FHWA, as far as we know the RSPA does no coordinating at all. The Board is currently studying the cooperation between these two agencies regarding compatibility problems between the highway and the small car. However, RSPA plays no role at all, nor has anyone suggested that it should play a role, in stimulating or aiding the agencies to cooperate with one another.

Senator Andrews: I also have some questions from Senator Chiles that I would like to have answered for the record.

Questions Submitted by Senator Chiles

NATIONAL TRANSPORTATION SAFETY BOARD COAST GUARD INVESTIGATIONS

Senator Chiles: According to the budget justification, the National Transportation Safety Board and the Coast Guard entered into an agreement in FY 1978 to clearly define each agency's responsibilities in order to minimize duplicative investigations. Please supply a copy of the agreement for the record. Specifically, how does the Coast Guard and the National Transportation Safety Board define their separate responsibilities to investigate marine accidents in order to avoid duplicative investigations?

Response: The agreement between the Safety Board and Coast Guard has been codified in 49 CFR 850 which is attached. Under these regulations, the Coast Guard conducts a preliminary investigation of major marine accidents. Based upon information provided by the preliminary investigation, the Safety Board decides whether significant safety benefits can be gained by our participation in the investigation. When we do not expect significant safety benefits to result from investigation of the accident, we request the Coast Guard to investigate for the Board. When we expect important safety issues to be developed, we participate with the Coast Guard in a joint investigation. In this manner, the duplication is minimal and the Safety Board's limited resources are utilized most effectively.

The Coast Guard investigates those major marine accidents which the Safety Board does not investigate. In addition, the Coast Guard has a separate responsibility to investigate marine accidents to determine whether there have been acts of incompetency, misconduct, or violation of law or regulations.

In those accidents where we expect significant safety benefits to result from the investigation, the Safety Board's role differs from the Coast Guard's responsibilities in the following ways:

(a) The Safety Board's perspective is not enforcement oriented as is the Coast Guard's;

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(b) the Safety Board has developed expertise in marine accident investigation because investigation is not a collateral duty function as it is with the Coast Guard. Further, the frequent transfer of CG personnel impairs their development of investigative expertise;

(c) the Safety Board has effectively investigated accidents involving U.S. Navy vessels when the Coast Guard was reluctant or unable to complete those investigations;

(d) the Safety Board is able to provide the public with an impartial investigtion whereas the Coast Guard cannot do this because they are essentially the creators of the marine transportation safety system as it exists today. Every investigation by the Coast Guard contains some degree of conflict of interest because of self-investigation;

(e) the Safety Board can and does address its safety recommendations to the agencies which can be influential in achieving a solution whereas the Coast Guard must limit solutions to itself; and

(f) the Safety Board utilizes its multi-modal expertise to accomplish an in depth investigation when factors other than marine transportation are involved.

During 1980, we completed a review of the joint regulations and our experience under them in working with the Coast Guard. Generally, we found that the regulations posed few problems and that Coast Guard cooperation has been fully satisfactory in most instances. However, some improvements can be made. Primary among our concerns for improvement is the need to further reduce duplication of investigative effort.

There have been instances where the interests of the public would have been better served if the Coast Guard had participated in a Safety Board hearing rather than the reverse. The most recent of these instances was the collision in Tampa Bay between the USCG BLACKTHORN and the SS CAPRICORN. The Board is unaware of any substantive difficulties for the Coast Guard were it to participate in a Safety Board hearing as against its conducting a marine board investigation. Consequently, the Board believes that in the future it must plan to conduct the investigation of major marine casualties involving a Coast Guard vessel and a nonpublic vessel. In those instances the Coast Guard and the public would benefit from an impartial investigation which would be unencumbered by charges of "conflict of interest" and "self-investigation."

The Independent Safety Board Act of 1974 identified for special consideration a separate category of accidents involving public and nonpublic vessels, and the joint regulations include appropriate implementing guidance. However, Coast Guard investigations for the Board of some accidents which involved U.S. Navy vessels have been incomplete because Navy witnesses have not been called for direct examination. Many of the public and nonpublic vessel accidents carry the implications of Federal misfeasance or nonfeasance. The Safety Board believes that many of the associated difficulties can be obviated if the Safety Board conducts the investigation in appropriate cases.

In May 1980, the Safety Board advised the Coast Guard of our review of accident investigations under the joint regulations. In addition to the items discussed above, several other recommendations to improve the efficiency of investigations under the joint regulations were made in a letter to the Coast Guard. Most of those recommendations can be implemented administratively. We are waiting for the Coast Guard's reply to our letter which is attached.

PART 850—COAST GUARD—NATIONAL TRANSPORTATION SAFETY BOARD MARINE CASUALTY INVESTIGATIONS

Sec.

850.1 Purpose and applicability.
850.2 Relationship to Coast Guard marine investigation regulations and procedures.
850.5 Definitions.
850.10 Preliminary investigation by the Coast Guard.
850.15 Marine casualty investigation by the Board.
850.20 Cause or probable cause determinations from Board investigation.
850.25 Coast Guard marine casualty investigation for the Board.
850.30 Procedures for Coast Guard investigation.
850.35 Records of the Coast Guard and the Board.

AUTHORITY: Sec. 304(a)(1)(E) of the Independent Safety Board Act of 1974 (Pub. L. 93-633, 88 Stat. 2168, (49 U.S.C. 1903)).

SOURCE: 43 FR 61304, Dec. 1, 1977, unless otherwise noted.

§ 850.1 Purpose and applicability.

This part prescribes the joint regulations of the National Transportation Safety Board and the Coast Guard for the investigation of—

(a) A major marine casualty, as defined under § 850.5(e), that occurs on the navigable waters (internal waters or territorial sea) of the United States or that involves a vessel of the United States, except one involving only public vessels; and

(b) A casualty involving public and nonpublic vessels.

§ 850.2 Relationship to Coast Guard marine investigation regulations and procedures.

(a) The Coast Guard's responsibility to investigate marine casualties is not eliminated nor diminished by the regulations in this part.

(b) In those instances where the Board conducts an investigation in which the Coast Guard also has responsibility under R.S. 4450 (46 U.S.C. 239), the proceedings are conducted independently, but so as to avoid duplication as much as possible.

§ 850.5 Definitions.

As used in this part:

(a) "Act" means Title III of Pub. L. 93-633, the Independent Safety Board Act of 1974 (49 U.S.C. 1901, et seq.).

(b) "Board" means the National Transportation Safety Board.

(c) "Chairman" means the Chairman of the National Transportation Safety Board.

(d) "Commandant" means the Commandant of the Coast Guard.

(e) "Major marine casualty" means a casualty involving a vessel, other than a public vessel, that results in—

(1) The loss of six or more lives;

(2) The loss of a mechanically propelled vessel of 100 or more gross tons;

(3) Property damage initially estimated as $500,000 or more; or

(4) Serious threat, as determined by the Commandant and concurred in by the Chairman, to life, property, or the environment by hazardous materials.

(f) "Public vessel" means a vessel owned by the United States, except a vessel to which the Act of October 25, 1918, c. 82 (41 Stat. 305, 46 U.S.C. 363) applies.

(g) "Vessel of the United States" means a vessel—

(1) Documented, or required to be documented, under the laws of the United States;

(2) Owned in the United States; or

(3) Owned by a citizen or resident of the United States and not registered under a foreign flag.

§ 850.10 Preliminary investigation by the Coast Guard.

(a) The Coast Guard conducts the preliminary investigation of marine casualties.

(b) The Commandant determines from the preliminary investigation whether—

(1) The casualty is a major marine casualty; or

(2) The casualty involves public and nonpublic vessels.

(c) The Commandant notifies the Board of a casualty described in paragraph (b) of this section.

§ 850.15 Marine casualty investigation by the Board.

The Board may conduct an investigation under the Act of any major marine casualty or any casualty involving public and nonpublic vessels under the Board's rules of practice for surface transportation accident hearings in 49 CFR Part 845.

§ 850.20 Cause or probable cause determinations from Board investigation.

After an investigation conducted by the Board under § 850.15, the Board determines cause or probable cause and issues a report of that determination.

§ 850.25 Coast Guard marine casualty investigation for the Board.

(a) If the Board does not conduct an investigation under § 850.15, the Coast Guard, at the request of the Board, may conduct an investigation under the Act unless there is an allegation of Federal Government misfeasance or nonfeasance.

(b) The Board requests the Coast Guard to conduct an investigation under paragraph (a) of this section within 48 hours of receiving notice under § 850.10(c).

(c) The Coast Guard advises the Board within 24 hours of receipt of a request under paragraph (b) of this section whether the Coast Guard will conduct an investigation under the Act.

§ 850.30 Procedures for Coast Guard investigation.

(a) The Coast Guard conducts an investigation under § 850.25 using the procedures in 46 CFR 4.01-1 through 4.23-1.

(b) The Board may designate a person or persons to participate in every phase of an investigation, including on-scene investigation, that is conducted under the provisions of § 850.25.

(c) Consistent with Coast Guard responsibility to direct the course of the investigation, the person or persons designated by the Board under paragraph (b) of this section may:

(1) Make recommendations about the scope of the investigation.

(2) Call and examine witnesses.

(3) Submit or request additional evidence.

(d) The Commandant provides a record of the proceedings to the Board of an investigation of a major marine casualty under paragraph (a) of this section.

(e) The Board, under the Act, makes its determination of the facts, conditions, and circumstances, and the cause or probable cause of a major marine casualty, using the record of the proceedings provided by the Commandant under paragraph (d) of this section and any additional evidence the Board may acquire under its own authority.

(f) An investigation by the Coast Guard under this section is both an investigation under the Act and under R.S. 4450 (46 U.S.C. 239).

§ 850.35 Records of the Coast Guard and the Board.

(a) Records of the Coast Guard made under § 850.30 are available to the public under 49 CFR Part 7.

(b) Records of the Board made under §§ 850.20 and 850.30 are available to the public under 49 CFR Part 801.

MAY 22 1980

Admiral John B. Hayes
Commandant
U.S. Coast Guard
Washington, D.C. 20593

Dear Admiral Hayes:

Since January 3, 1978, the NTSB has been investigating major marine casualties under the provisions of the "Coast Guard/NTSB Marine Casualty Investigations" regulations (49 CFR 850 and 46 CFR 4.4). As you know, these joint regulations were the culmination of 3 years of discussions between our agencies and represented the best compromise which could be reached at the time. Since some provisions were not fully acceptable to the Board, the Safety Board indicated in the preamble to its final rulemaking that it intended to review the procedures at a later date ". . .to determine whether the Board thereunder can perform its maritime casualty investigation responsibilities consistent with the mandate and intent of the Independent Safety Board Act."

The Safety Board recently completed a review of the regulations and our experience under them in working with the Coast Guard. This letter will summarize the results of that review. Although the regulations have posed few problems and Coast Guard cooperation has been fully satisfactory in most instances, the Board believes there are some aspects of our relationship which should be improved in the public interest and for the benefit of both agencies.

First and most importantly, the Safety Board is concerned about the duplication of investigative effort. This problem is not new; it was clearly recognized in formulating the joint regulations.

Provisions were made in the regulations for the Coast Guard to investigate certain casualties for the Safety Board and for the Board to participate in those investigations to the full extent it determined was appropriate. However, these provisions are not balanced by a Coast Guard policy to utilize testimony and evidence developed by the Safety Board and to participate in a Safety Board investigation or public hearing if the Board chooses to direct an investigation itself rather than to request that the investigation be conducted by the Coast Guard for the Board.

Since 1978, the Board has independently conducted one investigation of a major marine casualty and, since the accident was outside the Coast Guard's jurisdiction, no Coast Guard investigation was conducted. The Board has not conducted a separate public hearing under the provisions of the joint regulations. Nevertheless, there have been several instances when a Board-directed investigation or hearing was seriously considered, but eventually rejected since the Coast Guard was firmly committed to conducting its own public hearing.

In retrospect, the Safety Board believes that in at least two of these instances the interests of the public and our agencies would have been better served if the Coast Guard had participated in a Safety Board hearing rather than the reverse. The most recent incident involved the collision in Tampa Bay between the USCGC BLACKTHORN and the SS CAPRICORN. As you know, there were numerous public challenges to "the Coast Guard investigating itself." Likewise, there were strong pressures for the Safety Board to conduct its own public hearing. This placed the Board (and the Coast Guard) in a very awkward and often embarrassing situation. In addition, the Board is unaware of any substantive difficulties for the Coast Guard were it to participate in a Safety Board hearing as against its conducting a marine board investigation. Consequently, the Board believes that in the future it must plan to conduct the investigation of major marine casualties involving a Coast Guard vessel and a non-public vessel. In these instances the Board would want the Coast Guard to cooperate in the Board's investigation using its resources to assist the Board and thereby avoiding the need for duplicative hearings and administrative tasks.

The Independent Safety Board Act of 1974 identified for special consideration a separate category of accidents involving public and nonpublic vessels, and the joint regulations include appropriate implementing guidance. However, Coast Guard investigations for the Board of some accidents which involved U.S. Navy vessels have been incomplete because Navy witnesses have not been called for direct examination. Many of the public and nonpublic vessel accidents carry the implications of Federal misfeasance or nonfeasance. The Safety Board believes many of the associated difficulties can be obviated if the Safety Board conducts the investigation in appropriate cases.

In order to apply the Safety Board's resources to those cases which are most appropriate for its own investigation, a loss threshold for public vessel accidents is needed to limit the occasions when the Safety Board is committed to exercising its jurisdiction. The establishment of a loss threshold for these accidents could be made by a minor amendment to the joint regulations since both the Coast Guard and the Safety Board each have authority in such accidents under the Act. We suggest a minimum threshold of one death or a damage loss of $100,000.

The Independent Safety Board Act requires the Safety Board to determine the ". . .facts, conditions, and circumstances . . ." as well as the cause or causes of certain marine casualties. In those accidents which the Coast Guard investigates for the Safety Board and in which a verbatim record of the testimony is not prepared or sketchy supporting documentation is gathered, the data are sometimes not adequate and frequently barely adequate for our purposes. Formal Coast Guard investigations, in which testimony is recorded under oath, would overcome most of these deficiencies. Since the recording of testimony in such investigations would increase the costs to the Coast Guard, the Safety Board is willing to share the costs of reporting services to improve the quality of those investigations.

In the case of accidents investigated by the Coast Guard under the joint regulations (particularly those without NTSB participation), delivery of the Coast Guard investigative data and records has taken, on the average, about 13 months from the date of the accident. While there appear to be some recent reductions in this delivery delay, the Safety Board believes that timeliness is an important quality factor in the value of an investigation and that an average time of 6 months should be established for providing the investigation record to us.

Although in most instances the Coast Guard has notified the Safety Board promptly of the occurrence of accidents falling under the purview of the Safety Board, there have been instances in which it appears Coast Guard field units were unaware of their responsibility to report the accident for relay to NTSB (we recognize that there are cases when the Coast Guard unit could not determine promptly that the monetary loss established Safety Board jurisdiction).

Although we recognize the need for hearings to be commenced expeditiously in many major marine casualties, some Coast Guard hearings have been scheduled on extremely short notice which allowed Safety Board representatives little time to travel to and prepare for the hearings. In some cases, in our view, the public hearing phase of the investigation has been undertaken earlier than necessary without compelling reasons for doing so. We believe that in scheduling hearings the travel requirements for Safety Board representatives ought to be one of the factors considered. Better communication and coordination between Coast Guard and Safety Board staffs can resolve such difficulties and similar ones involving agreement on such matters as the release of witnesses who will not be available thereafter and security of the accident site until the evidence has been documented. We also believe a more effective investigation would usually result if the public hearing phase were to be scheduled for a reasonable time after the accident to allow for better preparation in those instances where earlier commencement is not compelled by the circumstances.

We believe most of the points discussed above can be implemented administratively, and we would be pleased to meet to discuss them in more detail. We are confident that a meeting for a candid discussion regarding our mutual interests would be a fruitful effort and would permit us to discharge our respective responsibilities in a manner more satisfactory to both agencies and to the public we serve. We would welcome your views in this regard.

Sincerely,

ORIGINAL SIGNED BY/ JAMES B. KING

FEDERAL RAILROAD ADMINISTRATION

Senator Chiles: The Board's budget justification notes that fewer than 50,000 of the 403,000 highway railroad grade crossings in the United States are equipped with flashing lights and/or gates. While to install automatic devices is not feasible because of the prohibitive costs, the Board has recommended that reflective material be affixed to the sides of railroad equipment and this can be done at relatively low costs with high benefits. Why has the Federal Railroad Administration failed to act favorably on these research findings?

Response: Frankly, we are puzzled by the reluctance of the Federal Railroad Administration (FRA) to act in this area. We also cannot understand why FRA has not publicly released the findings of the research it sponsored, Report No. FRA-OPPD-79-12, entitled "The Benefits and Costs of a Program to Reflectorize the U.S. Fleet of Railroad Rolling Stock," which was completed more than two years ago (January 1979). These research findings indicate that reflectorization of the sides of trains would make trains conspicuous to motorists at night and thereby reduce the number of vehicle-strikes-train collisions and the resultant fatalities, injuries, and property damage. The Safety Board's objective is not to mandate that FRA affix reflective material to the sides of railroad equipment, but that FRA take the initiative through proper rulemaking procedures, to implement effective countermeasures which will improve the nighttime conspicuity of trains. We note that FRA recently included nighttime train conspicuity in a draft of its system safety plan as a potential subject for rulemaking; however, we are concerned that these accidents, fatalities, and injuries are continuing and FRA still has not implemented any preventive action.

SKID RESISTANCE

Senator Chiles: The Board's budget justification discussed skid resistant standards for new asphalt pavements, and indicated that several areas in the United States have already applied existing technology in this regard while many other States have done little. Which States have made progress in this area, and which States have not? The justification material also indicated that the Board will continue its efforts to obtain effective skid resistant standards, and the Board's view is additional research in this area is needed. Is the Board conducting such research? How much is proposed in FY 1982 for this effort? Does the Board coordinate this research with the research done by and sponsored by the Federal Highway Administration?

Response: The Safety Board did not review the skid resistance programs of all the States. In completing the special study, Fatal Highway Accidents On Wet Pavement - The Magnitude, Location and Characteristics, ten State programs were reviewed. These were California, Florida, Mississippi, Missouri, Nebraska, New York, Pennsylvania, Texas, Virginia and Washington.

Based on actual accidents investigated in these States, the California and Pennsylvania programs on skid resistance were considered the most progressive. These were followed by Florida, Virginia, and Washington. The least progressive States in this sample were the programs of Nebraska and Mississippi.

There are no provisions in the Safety Board's charter for the accomplishment of research, or research and development. Accordingly, the Safety Board through its special studies, safety effectiveness evaluations, and accident investigations defines transportation safety problems, many of which require research by the DOT to achieve resolution.

DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

STATEMENT OF HOWARD DUGOFF, ADMINISTRATOR

ACCOMPANIED BY:

GREGORY HAUGAN, DIRECTOR, TRANSPORTATION PROGRAMS BUREAU

LEE SANTMAN, ASSOCIATE ADMINISTRATOR FOR MATERIALS TRANSPORTATION

WILLIAM FITZGERALD, DEPUTY BUDGET DIRECTOR

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. We next will hear from the Research and Special Programs Administration.

Mr. Administrator, we appreciate your appearance today. If you would please introduce your colleagues and summarize your statement, it will appear in full in the record. Please proceed.

Mr. DUGOFF. Thank you very much, Mr. Chairman.

My colleagues are on my left, Dr. Gregory Haugan who is the Director of the Transportation Programs Bureau, and on my right Mr. Leon Santman who is the Director of the Materials Transportation Bureau. Mr. FitzGerald, the Director of Budget for DOT has joined us on my far left.

I am pleased to appear here, Mr. Chairman, today to discuss the fiscal year 1982 budget request of the Research and Special Programs Administration.

As I know you are certainly aware the Reagan administration is currently in the process of a comprehensive and careful review of the entire Federal budget and intends to submit to the Congress on March 10 a proposed amendment calling for widespread and substantial spending cuts.

With respect to the RSPA budget the President has already announced that we will not seek funding for the cooperative automotive research program which now appears in our budget. That decision will reduce our request by $17 million from $51.8 to $34.8 million.

We are continuing to review our budget with an eye toward identifying other affordable cuts. I am quite certain some additional cuts will be recommended. For that reason and because of the substantial changes in the composition of this committee the statement we have prepared for this hearing is a general one. As you have suggested, I will present an abbreviated version today.

I would like also to add to general statements that both the President and the Secretary have made concerning the relationship which this administration intends to have with the Congress by indicating that my

staff and I look forward to working very closely with this committee and its staff in attempting to structure and manage a program for the Research and Special Programs Administration which will best serve the public.

I hope we will have the opportunity to meet with you throughout the year and hopefully, if time permits, even have Members or staff visit some of the places where we are doing work.

RSPA ROLE AND STRUCTURE

This morning I will present a very brief discussion concerning the role and structure of the Research and Special Programs Administration, highlight some of our most important recent accomplishments, and discuss some of our general plans for work during the 1982 fiscal year.

The Research and Special Programs Administration is responsible within the Department for the direction of both research and operational programs which involve more than one mode of transportation. Our organization has three line elements, the Materials Transportation Bureau, the Transportation Programs Bureau, and the Transportation Systems Center in Cambridge, Mass.

The Materials Transportation Bureau administers a program intended to assure safety in the transport of hazardous materials by all transportation modes.

The Transportation Programs Bureau administers a research program of multimodal orientation with current emphasis on safety, energy conservation, and economic efficiency. That Bureau also conducts multimodal programs aimed at promoting the security and facilitating the movement of cargo and assuring the availability of adequate transportation service during periods of national emergency.

The Transportation Systems Center provides research development and analytical support to all operating administrations and secretarial offices of the Department.

Over the past several years the Center has played an increasingly important role in supporting the Department with technical capability for technology assessment, industry analysis, strategic planning anaysis, and management of research concerning all aspects of transportation systems and related activities.

The Center receives no direct appropriations from the Congress but is supported through a working capital fund financed by intradepartmental transfers of funds from its program sponsors.

SAFETY REGULATION

In the field of safety regulation the RSPA is responsible for prescribing national safety regulations for hazardous materials transportation by all transport modes except bulk cargoes onboard vessels which is the responsibility of the U.S. Coast Guard.

Together with the other operating administrations of the Department, RSPA is responsible for the enforcement of such regulations. Specifically, enforcement of hazardous materials regulations is delegated to each modal administration for transportation within that mode and the RSPA enforcement effort concentrates on packaging regulations ap-

plicable to packaging manufacturers and shippers regardless of transportation mode.

Coordination of the respective modal enforcement activities is maintained through monthly meetings of agency enforcement officials and legal counsel.

At this point I will take note of Chairman King's earlier remark to the effect that the Safety Board has reviewed our enforcement activity and concluded that there exist inadequacies in our mechanisms for coordination. This is certainly a recommendation to which we will be giving serious consideration as we review the NTSB report.

RSPA is also charged with responsibilities for regulating the safe transportation of natural gas, petroleum, and other hazardous materials by pipeline. In addition to promulgating pipeline safety standards we enforce regulatory compliance by pipeline operators, administer a State grant program for safety enforcement with regard to intrastate natural gas pipelines, and provide technical support to the Federal inspector for the Alaskan natural gas transportation system.

HAZARDOUS MATERIALS PROGRAM

Mr. Chairman, the centerpiece of our budget request to Congress last year was our proposal to more than double the funding for our hazardous materials program in order to enhance its effectiveness and particularly its efficiency. With the strong support of this committee our request was approved almost in toto and we have proceeded to implement important improvements in our program.

The program is predicated upon the conception of a carefully circumscribed Federal role and strong complementary relationships with State and local governments and the private sector.

The principal Federal responsibility is for the issuance of effective uniform standards designed to protect the public health and safety without imposing undue costs or impediments to commerce.

The Federal Government is also responsible to assure compliance with these standards, but as a practical matter cannot be expected to mount a nationwide field enforcement effort providing an adequate level of inspection to deter violation across all transport modes.

The biggest problem of course is the highway mode where many thousands of trucks carry hazardous goods along hundreds of thousands of miles of roads everyday. Thus, it is necessary to mobilize State and local manpower resources such as State highway patrols to assist the enforcement effort by inducing State governments to adopt the Federal standards as their own. This approach also offers the important corollary benefit of reducing regulatory burden by eliminating multiple and conflicting State and local regulations.

Again I will note here that the subject of enforcement of hazardous material safety regulations for highways was addressed in the NTSB report mentioned by Chairman King. We have not yet had the opportunity to study that report. They appear to have made a number of recommendations concerning enforcement by our sister agency the Bureau of Motor Carrier Safety and we will have to take a careful look at that.

TRAINING AND EMERGENCY RESPONSE

The principal responsibility for responding to hazardous materials emergencies generally falls to units of local government, typically fire or police departments. Here the Federal Government role must be limited to a supporting one providing information and technical assistance that is understandable and timely to the response planners and field personnel at the site of an emergency, typically local government people. In this supporting role it is important and indeed necessary for us to take full advantage of the technical expertise of the private sector.

Given this program philosophy the initiatives that we conceived and have implemented to improve our program include the following:

First, and this was the subject of a specific recommendation Mr. King mentioned, the development of systems for acquisition and analysis of the hard data needed to perform rigorous assessments of the costs and benefits of both proposed and existing regulations.

Second, the development of a technical assistance program involving both instructional materials and formal training to help State and local enforcement and emergency response personnel and shippers and carriers of hazardous materials.

Third, strengthening of our emergency response support capabilities.

To date we have made substantial progress in each of these areas. We have established a new Office of Regulatory Planning and Analysis to identify and evaluate the costs and benefits of alternatives both regulatory and nonregulatory to solve the safety problems in the hazardous materials field. We have centralized and strengthened the management of our hazardous materials information program to improve the quality of information needed to perform such evaluations.

We believe these two actions will contribute materially to our current high-priority efforts to streamline the existing body of Materials Transportation Bureau regulations and eliminate undue regulatory burden and costs to the carrier and shipper industries and ultimately to the general public.

RESPONSE CENTER

We have worked together with the Coast Guard to expand the capability of its national response center to respond on an around-the-clock basis to pipeline accidents, hazardous waste spills, and land-based hazardous materials accidents.

Additionally, we have installed direct telephone voice and data linkages between the Coast Guard Center and CHEMTREC, an emergency response information service of the Chemical Manufacturers Association.

SPECIAL PROGRAMS

Now, I would like to turn for just a brief moment to a discussion of some of our so-called special programs.

The Nation, as you well know, is highly dependent upon its transportation network to provide food, energy, and other necessities of life. Floods, hurricanes, snowstorms, labor strikes, civil defense emergencies, and other crises can seriously disrupt the operation of this complex network.

The responsibilities of the Department in such emergencies range from total executive management of U.S. civil transportation resources in full-scale national emergencies to supplying information on the adverse impacts on any transportation mode during a peacetime crisis.

Our Office of Emergency Transportation administers the Department's program in this area. In recent years the Office has played a major role in helping to respond to transportation emergencies related to such diverse natural or manmade disasters as the eruption of Mount St. Helens, the trucker strike and the acute diesel fuel shortage in 1979, and in generally improving the DOT capability to respond to future civil emergencies.

MULTIMODAL RESEARCH AND TECHNOLOGY PROGRAM

Within the next 20 years there will be an intensive recapitalization of the transportation sector. There is a need to assure that these large investments will be made wisely and that promising options for improvement are not foreclosed. Energy efficient multimodal freight movement should be facilitated to assure the most efficient utilization of resources. There is also a need to assure that passenger systems, particularly the automotive transportation system, are designed and operated in ways which maximize efficiency.

We are addressing these needs through our program of multimodal research and technology. The program provides R. & D. to complement the research programs in the Department's modal administrations and secretarial offices and industry efforts to advance transportation technology, and specifically to support the RSPA operational missions in safety emergency transportation and so forth.

We carry out these objectives through research at our Transportation Systems Center through a program of university research and through in-house efforts in our Transportation Programs Bureau.

I believe I will conclude my prepared remarks at this point, Mr. Chairman, in order to permit my colleagues and me to answer your questions.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF HOWARD DUGOFF

I am pleased to appear before this committee today to discuss the FY 1982 budget request of the Research and Special Programs Administration (RSPA). As the members of the Committee are certainly aware, the Administration is currently in process of a comprehensive and careful review of the entire Federal budget, and intends to submit to Congress on March 10, a proposed amendment calling for widespread and substantial spending cuts. With respect to the RSPA budget, the President has already announced that we will not seek funding for the Cooperative Automotive Research Program. That decision will reduce our request by $17 Million, from $51.8 Million to $34.8 Million. We are continuing to review this budget with an eye towards identifying other affordable cuts. I am quite certain some additional cuts will be recommended. For that reason, and because of the substantial changes in the composition of this Committee, my statement today will be a general one. I will begin with some brief remarks concerning the role and structure of the Research and Special Programs Administration, and how we establish priorities, plan, coordinate, and conduct our programs. I will highlight some of our most important recent accomplishments and discuss our general plans for the FY 1982 program.

RSPA Role and Structure

The RSPA is responsible for the direction of research and operational programs within DOT which involve more than one mode of transportation, i.e. are multimodal. Our organization has three line elements, The Materials Transportation Bureau, The Transportation Programs Bureau, and The Transportation Systems Center in Cambridge, Massachusetts.

The Materials Transportation Bureau administers a program intended to assure safety in the transport of hazardous materials by all modes, including pipelines.

The Transportation Programs Bureau administers a research program of multimodal orientation, with current emphasis on safety, energy conservation, and economic

efficiency. The Programs Bureau also conducts multimodal programs aimed at promoting the security and facilitating the movement of cargo.

The Transportation Systems Center provides research, development, and analytical support to all Operating Administrations and Secretarial Offices of the Department. Over the past several years, the Center has played an increasingly important role in supporting the Department with technical capability for technology assessment, industry analysis, strategic planning analysis and management of research concerning all aspects of transportation systems and related activities. It is also the site for creation of specific centers of expertise to support the Department in addressing particular issues of priority in the transportation sector. The Center receives no direct appropriations from the Congress, but is supported through a Working Capital Fund financed by intradepartmental transfers of funds from its program sponsors.

Program Planning, Priorities, and Coordination

Being a new operating administration in the Department that must deal with a wide range of problems, we have been working diligently to develop a systematic process for planning and establishing priorities for RSPA programs. In deciding on program content and priorities, we are guided by the following criteria:

- Relationship to national priorities (e.g., current economic and energy imperatives).
- Support of Secretarial emphasis areas (recently, auto industry analysis, terminal area freight problems, and investment decision-making methodologies.)
- Support of RSPA operational mission requirements (e.g., assuring the safe transportation of hazardous materials).

Safety Regulation

The Research and Special Programs Administration is responsible for prescribing national safety regulations for hazardous materials transportation by all modes except bulk cargoes on-board vessels (which is the responsibility of the U. S. Coast Guard) and, together with the other operating administrations of the Department,

is responsible for the enforcement of such regulations. Specifically, enforcement of Hazardous Materials Regulations is delegated to each Modal Administration for transportation within that mode. The RSPA enforcement effort concentrates on packaging regulations applicable to packaging manufacturers and shippers regardless of transportation mode. Coordination of the respective modal enforcement activities is maintained through monthly meetings of agency enforcement officials and legal counsel.

RSPA is also charged with responsibilities for regulating the safe transportation of natural gas, petroleum and other hazardous materials by pipeline.

In addition to promulgating pipeline safety standards, we enforce regulatory compliance by pipeline operators, administer a state grant program for safety enforcement with regard to intra-state natural gas pipelines, and provide technical support to the Federal Inspector for the Alaska Natural Gas Transportation System.

The technological and industrialized nature of the American economy requires the production and transportation of ever-increasing amounts of raw chemicals, basic energy source materials and consumer products which are hazardous (e.g., flammable, poisonous, radioactive, explosive). While the overall transportation safety record of such materials is good, occasional serious accidents and the possibilities of catastrophic occurrences have focused critical public attention on the Department's Hazardous Materials Transportation Safety Program.

The Centerpiece of our budget request to Congress last year was our proposal to more than double the funding for our Hazardous Materials Program, in order to enhance its effectiveness and efficiency. With the strong support of this Committee, our request was approved almost in toto, and we have proceeded to implement important program improvements.

Our program is predicated upon the conception of a carefully circumscribed Federal role, and strong complementary relationships with State and local governments and the private sector. The principal Federal responsibility is for the

issuance of effective, uniform standards designed to protect the public health and safety without imposing undue costs or impediments to commerce. The Federal government is also responsible to assure compliance with these standards, but as a practical matter, cannot be expected to mount a nationwide field enforcement effort providing an adequate level of inspection to deter violation across all transport modes (the biggest problem, of course, is the highway mode, where many thousands of trucks carry hazardous goods along hundreds of thousands of miles of roads every day). Thus it is necessary to mobilize State and local manpower resources (e.g., state highway patrols) to assist the enforcement effort by inducing State governments to adopt the Federal standards as their own. This approach also offers a corollary benefit of reducing regulatory burden by eliminating multiple and conflicting State and local regulations.

The principal responsibility for responding to hazardous materials emergencies generally falls to units of local government (typically fire or police departments). Here the Federal government must play a support role, providing information and technical assistance that is understandable and timely to response planners and field personnel at the site of an emergency. In this endeavor, it is necessary to take full advantage of the technical expertise of the private sector.

Given the above philosophy, the initiatives we conceived to upgrade the MTB regulatory program include the following:

(1) Development of systems for acquisition and analysis of hard data needed to perform rigorous assessments of the costs and benefits of existing and proposed regulations.

(2) Development of a comprehensive technical assistance program, involving instructional materials as well as formal classroom training, for state and local enforcement and emergency response personnel and shippers and carriers of hazardous materials, and

(3) Strengthening of emergency response capabilities with 24-hour telephone service providing emergency response guidance (keyed to a new Emergency Response Guidebook and standardized hazardous materials labeling system) and automated access to a vast industrial information system maintained by the Chemical Manufacturers Association.

To date we have made substantial progress in all of these areas. We have established a new Office of Regulatory Planning and Analysis to identify and evaluate the costs and benefits of alternatives, both regulatory and non-regulatory, to solve safety problems in the transport of hazardous materials. We have centralized and strengthened the management of the Hazardous Materials Information Program to improve the quality of information needed to perform such evaluations. We believe these actions will contribute materially to our current high priority efforts to streamline the existing body of the Materials Transportation Bureau regulations and eliminate undue regulatory burden and costs to the carrier and shipper industries and, ultimately, to the general public.

Through the Transportation Safety Institute we are expanding our training program for state and local government officials and private industry personnel in the handling, inspection, and regulation of hazardous materials, and are also expanding our program of training in emergency response to hazardous materials incidents. Our "Hazardous Materials Emergency Response Guidebook," now being distributed to local emergency response personnel, will dramatically expand and improve the readily available guidance for dealing with hazardous materials and emergencies.

We have worked together with the U. S. Coast Guard to expand the capability of its National Response Center to respond to pipeline accidents, hazardous waste spills, and land based hazardous materials accidents. Additionally, we have linked the National Response Center with CHEMTREC, an emergency response information service of the Chemical Manufacturers Association. CHEMTREC enjoys access to proprietary information for dealing with emergencies which individual firms would be reluctant to share with the Federal government and thus provides a vital service in dealing with the containment of hazardous incidents.

To avoid the promulgation of duplicative or inconsistent Federal regulations, we coordinate our rulemaking with other involved Federal agencies, including the Departments of Commerce, Energy and Interior, the Environmental Protection Agency, and the Nuclear Regulatory Commission. To ensure that the views of the regulated are known and understood, we maintain extensive contacts with such groups as the American Trucking Associations, the Chemical Manufacturers Association and the Association of American Railroads. Finally, we address the concerns of states and cities by working with both their individual representatives and national groups such as the Association of Governor's Highway Safety Representatives, the National Conference of State Legislatures, the National Fire Protection Association, and the U. S. Conference of Mayors.

Special Programs

Our Nation is dependent upon a very complex transportation network to provide food, energy, and other necessities of life. Floods, hurricanes, snowstorms, labor strikes, energy shortages, civil defense emergencies, and other crises can seriously disrupt the operation of this complex network. The responsibilities of the Department in such emergencies range from total executive management of U. S. civil transportation resources in full-scale national emergencies, to supplying information on the adverse impacts on any mode during a peacetime transportation crisis. Our Office of Emergency Transportation (OET) administers the Department's program in this area. In recent years, OET has played a major role in helping to respond to transportation emergencies related to such diverse natural or man-made disasters as the eruption of Mount St. Helens and the trucker strike and the acute diesel fuel shortage in 1979, and in improving the DOT capability to respond to future civil emergencies.

Our Offices of Transportation Security and Facilitation administer programs to help carriers, shippers, and receivers minimize cargo theft losses; and to simplify and standardize the procedures and requirements that burden the operations of travelers, shippers, and carriers in international transportation, and at points of intermodal transportation transfer (i.e., terminals). In the important field of radionavigation, RSPA provides technical support and coordination of

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Departmental planning for meeting civil navigation requirements, and interdepartmental coordination with the Department of Defense on the annual updating of the Federal Radionavigation Plan.

Research and Technology

Within the next 20 years there will be intensive recapitalization of the transportation sector. There is a need to assure that these large investments will be made wisely and that promising options for improvement are not foreclosed. Energy efficient, multimodal freight movement should be facilitated to assure the most efficient utilization of resources. There is also a need to assure that passenger systems, particularly the automotive transportation system, are designed and operated in ways which maximize energy efficiency.

We are addressing these needs through our program of multimodal transportation research and technology. The program provides research and development to complement research programs in the Department's modal administrations and Secretarial offices, to stimulate industry efforts to advance transportation technology and support the RSPA operational missions. RSPA carries out these objectives through research at the Transportation Systems Center, the Transportation Programs Bureau's University Research Program, and the Office of Systems Engineering.

Transportation Statistics, Data, and Information

In addition to the information work that I discussed earlier in connection with our safety regulatory role, we have a more general responsibility for planning, developing, and implementing Departmental programs to improve the collection of, and access to, transportation information. This activity has focused on higher quality, and more useful information at less cost and with less burden on the public to provide such information.

One of our major projects for the coming year is the Census of Transportation. This Census was created by the Congress over forty years ago to satisfy requirements for national economic planning. The forthcoming 1982 Census is now

comprised of three major surveys: The National Travel Survey, the Truck Inventory and Use Survey, and the Commodity Transportation Survey.

The Census of Transportation has a very large potential community of DOT users, each of whom has specialized information needs. In our role as the coordinating agency for the Department for multimodal programs, we have taken the lead in coordinating the Departmental needs for this information and in obtaining funding.

This concludes my prepared remarks. I will be pleased to answer any questions that you and the subcommittee members may have.

BIOGRAPHICAL INFORMATION

HOWARD DUGOFF

ADMINISTRATOR

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Howard Dugoff has served as the Administrator of the Research and Special Programs Administration since June of 1979. Mr. Dugoff was formerly the Deputy Administrator of the National Highway Traffic Safety Administration (NHTSA).

Mr. Dugoff joined NHTSA in 1974 as Chief, Handling and Stability Division, Motor Vehicle Programs. In November 1975, he was appointed Associate Administrator for Planning and Evaluation, where he was responsible for the planning, development, and evaluation of Federal motor vehicle and traffic safety programs. In August 1976, he was named as Associate Administrator for Research and Development, where he was responsible for the activities of five program offices and one laboratory conducting research in highway traffic safety. Mr. Dugoff was appointed Deputy Administrator of NHTSA on June 3, 1977.

Prior to joining NHTSA, Mr. Dugoff was Chief of Research and Analysis for the U.S. Army Tank-Automotive Command in Detroit, Michigan, from 1971 to 1974. Between 1967 and 1971, he was a research engineer at the Highway Safety Research Institute at the University of Michigan and, from 1959 to 1967, engaged in research activities at the Davidson Laboratory of Stevens Institute of Technology.

Mr. Dugoff was born in Yonkers, New York, on November 23, 1936. He graduated from Roosevelt High School and entered Stevens Institute of Technology in 1954 from which he received a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Physics.

COOPERATIVE AUTOMOTIVE RESEARCH

Senator ANDREWS. Thank you, Mr. Administrator.

As you mentioned, the Carter budget requested $17 million for the cooperative automotive research program to provide, as it says, and I am quoting, "a substantial body of basic research aimed at fundamentally improving U.S. automotive technology." It went on to say, and I quote again, "it will operate as a confederation of relatively autonomous participants."

This program is being deleted from President Reagan's budget. What specific contribution did you expect the 25 people assigned to this activity to make to some of the world's largest and most resourceful corporations which are involved in automotive research development and production?

Mr. DUGOFF. Well, the concept of the cooperative auto research program was a novel one, indeed, an unprecedented one. Its objective was to materially expand the extent of activity in basic research in the very fundamental disciplines that underpin automotive technology.

The administrative or operational concept was that the Federal Government would agree to increase its support of such basic research and that the U.S. auto manufacturers would agree to match the new Federal investment on a dollar-by-dollar basis according to a formula based on their respective sales.

Currently and historically individual automobile manufacturers have invested very little in this kind of very basic research because typically basic research results cannot be captured exclusively by any single corporation and also because their benefits are extremely long term.

The concept of the cooperative program was that absence of exclusive benefits notwithstanding, the general improvements that could be achieved in automotive technology on a nationwide basis through increasing basic research would serve to benefit both the country and each of the U.S. manufacturers.

That, in general terms, is the rationale for the program. Because it was a program which had such a long-term perspective, because it has not yet gotten underway and because the whole question of the proper Federal role in an industrial sector such as the auto industry has to be rethought from a policy perspective, the decision has been made to withdraw Federal funding from the effort.

AUTOMOTIVE RESEARCH

Senator ANDREWS. What do you feel the proper Federal role in automotive research should be?

Mr. DUGOFF. Well, my personal judgment is that it should be a very limited one. The idea of a cooperative effort to enhance very basic research which could have benefits not just to automotive technology but across the spectrum of industrial applications was one which it seemed to me was a potentially appropriate Federal one but that is as far as it ought to go.

In my judgment, the proposals that have been made, including some in Congress, for the Federal Government to undertake major programs of applied research and development in the auto technology field don't

make sense. I believe that the automotive industry has certainly the expertise and certainly the motivation to do a better job of designing automobiles than the Federal Government.

R. & D. COORDINATION

Senator ANDREWS. As the lead administration for research within the Department of Transportation what have you done to coordinate the research efforts of the modal administrations and provide department-wide direction to DOT's overall research and development?

Mr. DUGOFF. Our role within the Department historically has not involved the kind of departmental coordination responsibility I believe that you are reaching toward, and I don't believe it would be terribly practical for that kind of departmental perspective, that kind of departmental leadership to come from within one of the operating administrations.

During the past year the Department has done a lot of analysis of the way it manages its R. & D. enterprise and recommendations were developed in the prior administration for steps that could be taken and which were recommended at that time to provide a new focus for leadership and coordination in the research and technology field within the Office of the Secretary.

We have not yet in the new administration rethought and come to any definitive conclusions on this point, but in my judgment it is not really practicable to attempt to effectuate that kind of departmental management out of one of the operating adminstrations.

PIPELINE SAFETY REGULATIONS

Senator ANDREWS. I am intrigued by your request for $298,000 under the Materials Transportation Bureau for, as you describe it, "contract support for activities directed toward the restatement of major sections of the pipeline safety regulations to clarify their language and format for easier use by the regulated community."

Obviously the question comes up: What was wrong with the regulations as they were originally written? Even more intriguing, why does a Government agency have to contract out for somebody to tell them how to write regulations?

Mr. DUGOFF. I am going to ask Mr. Santman to elaborate on the response to this question.

Generally speaking the body of pipeline safety regulations which the Department of Transportation inherited is an enormously complex, cumbersome, and antiquated fabric of law and technology. There really is a pressing need to do something to streamline this body of rules and to make it easier for the regulated industry to live with it.

Senator ANDREWS. I am sure we could say that about a whole host of regulations that have been put together, but the intriguing part of this is that you are contracting out to get someone to tell you how to write regulations better. That is a different approach.

Mr. SANTMAN. It is not really to write them better. The problem that we are confronted with in the pipeline program is that the national program for gas pipeline safety came into being in 1970. It borrowed very

heavily upon industry standards that existed at the time. I think the real motivation for the establishment of a national program was to have a uniform set of Federal standards with a built-in State enforcement mechanism.

The existing standards that we have are pretty much a single body of standards that are utilized by the largest transmission companies and the smallest trailer parks in the United States. This gives you a range of outfits that are subject to them.

SMALL DISTRIBUTION SYSTEM

We and the States find that at the lower end of the spectrum—the small distribution companies, the ones that specialize in propane instead of natural gas, the ones that are like large universities that operate a small distribution system serving maybe 100 or 500 customers—our regulations are not really scaled to their use. Such operators are required to pretty much pick and choose among the regulations.

We have been working with a number of the trade associations, the LP Gas Association for one, attempting to develop some, for lack of a better way to describe them, some junior-grade regulations that are tailored down to the needs of that situation.

There are probably a half a dozen specialty areas, peak shaving operations, small gas companies, LP systems, master meter systems, and the like that need a better body of regulations tailored to fit their needs.

In addition to helping the industry that is regulated to better deal with them, we expect that it would also encourage better enforcement activities by the respective States that are responsible for it.

At the other end of the spectrum corrosion control cathodic protection is a growing field of technology. We have a number of requirements on the books that are deserving of reexamination and overhaul.

What we would be purchasing from the outside world is not the basic thinking but assistance to the small number of people that we are able to keep working on the standards themselves. Our rulemaking body of technical experts in the full range of pipeline activities—things from LNG to liquid pipelines to offshore structures to natural gas to storage tanks and underground caverns—our total body of engineers that we are able to keep paying attention to that range of things varies between 8 and 10 depending on who we have coming and going. From time to time we do need to get from the industry itself and the engineering houses that service the industry their input and their assistance in dealing with pieces of the problems.

BASIC RESEARCH ROLES

Senator ANDREWS. Related to this idea of going outside the agency, what is the proper role for DOT in conducting basic research vis-a-vis that of private industry and university research? You give a lot of grants and almost run your own department of education in your sponsorship of various universities. What do you envision as the proper Federal role in that?

Mr. DUGOFF. Well, there is a set of roles which I believe it is appropriate for the Department generally and our agency in particular to pursue.

One so-called R. & D. role which is very important and I believe represents the vast lion's share of expenditures within the Department involves very specific activities which I think would more properly be called "technology assessment" or "technical and economic assessment" rather than research which support directly the operational responsibilities of the respective operating administrations.

For example, in the area of pipeline safety regulation the kind of contractual assistance which Mr. Santman was just describing is in our research budget but it is not really research. It is nitty-gritty engineering assistance to help devise more sensible and cost-effective regulations.

Another set of direct mission support research and development activities are those supported through the budgets of the FAA and the Coast Guard, in which much of the work is done by our Transportation Systems Center, which relate to improving the technology of systems which those agencies actually employ in their day-to-day mission responsibilities, namely, air traffic control systems and Coast Guard equipment.

The amount of so-called basic research which the Department currently sponsors is virtually zero. During the period in which we were contemplating the development of the cooperative basic program we talked of earlier, we inventoried the entire departmental R. & D. budget or more properly the set of budgets of each of the operating administrations, and we concluded that there was virtually nothing that the Department was currently sponsoring which is really basic.

UNIVERSITY RESEARCH

There is one program within RSPA which is different from the rest of the R. & D. supported within the Department and that is the university research program which is funded at a level of approximately $4 million.

Unlike the rest of the 300 to 400 million dollars' worth of so-called R. & D. within the Department this program is an effort to reach out to the university community and attempt to elicit outside ideas as to how technology and new developments in science could be brought to bear to assist us in our mission concerning the transportation sector.

The other 345 million dollars' worth of R. & D. within the Department is designed to address very specific questions associated with the missions of the operating administrations according to carefully and thoroughly prescribed approaches.

This one university research project is an effort to elicit outside world ideas. Even at that, we prescribe rather specific subject areas in which we elicit such ideas, and then we call upon the research community to compete for funding for the best ideas. Typically we will receive 100 or 150 proposals in response to our call and be able to fund 20 or 30.

Over the several years of its operation this small atypical program has yielded quite an extraordinary set of results which were applied within the Department and to a surprising extent in the private sector as well.

R. & D. REVIEW

In our review of the Department's R. & D. last year which I mentioned earlier, our general conclusion was that the allocation of effort within the Department was sound and that fundamentally the requirements for R. & D. within the Department were quite modest and properly should be limited to direct support of either regulatory or operational responsibilities.

We did agree upon a need for perhaps some expansion of the more general longer term research and express some intention to seek an expansion of that work, but that conclusion is one which is currently under reconsideration and we have no concrete plans at this point to seek such increases.

PIPELINE SAFETY RESPONSIBILITIES

Senator ANDREWS. We have touched on some of the overlapping responsibilities and we seemed to have dwelled more this morning on the question of pipeline safety. Can you describe the differences, if they exist, between your responsibilities in pipeline safety and those of the National Transportation Safety Board? Do we need to clarify any aspect of the roles of the two agencies and, if so, do you plan to initiate discussions toward resolving that overlap?

Mr. DUGOFF. Well, I don't believe there is an overlap. That is not to say that our relationship is without friction from time to time. The role of the Safety Board, as I believe Mr. King described it quite accurately earlier today, is to investigate accidents that occur, attempt to diagnose their causes, and identify actions that could be taken either by the Federal Government or the private sector to eliminate or reduce the severity of such accidents in the future.

They reach such conclusions on the basis of their studies and to the extent that the findings relate to actions that they deem necessary on the part of the Federal Government, they make recommendations to the Federal Government agencies with authorities to implement such recommendations.

We are one of the agencies which is frequently the target of such recommendations because we have authority to issue regulations with respect to pipeline safety transportation. We are the recipient of a substantial number of NTSB regulations and we attempt to give them serious consideration and be responsive to them.

Quite frequently we have to make a hard judgment that a particular safety measure that they recommend does have some merit, but the Federal regulation requiring it may not be cost effective. This response sometimes upsets NTSB but there is, I think, a healthy tension between us. Our roles are very different. NTSB deals with accident investigations and RSPA deals with regulatory aspects of pipeline safety transportation.

I think Mr. King would not be distressed if I characterized them as a gadfly and a source of pressure in the interests of safety activism. We, on the other hand, have to exercise dispassionate judgment as to tradeoffs between enhancing safety in certain respects and the kind of costs and other burdens that would occur.

Senator ANDREWS. What you are trying to say is they are going to have all the fun because they have none of the responsibilities. [Laughter.]

Mr. DUGOFF. I accept that characterization.

ECONOMIC IMPACT STATEMENTS

Senator ANDREWS. It is intriguing. We have done an awful lot with environmental impact statements, but do you ever look toward economic impact statements, so to speak?

I remember 12 or 13 years ago we passed, as a matter of fact it was through the House Appropriations Committee, a requirement that the various regulatory bodies include in their actions an economic impact statement structured much as our environmental impact statements. We went to conference with the Senate and we were hung up for 2 or 3 days and finally had to drop it. I still think that there is an awful lot of merit to that.

Mr. DUGOFF. Well, to be sure, Mr. Chairman, the Administration shares that view. The President has recently issued an Executive order which I think does exactly what that legislation would have done. But even before that the Materials Transportation Bureau was becoming more and more interested in characterizing the economic effects of its regulatory actions.

The program enhancement which I mentioned in my opening statement was effectuated last year, was largely designed to give us the capability to do the kind of hard-rock analyses that just haven't been done in the past. We need better data and we need better techniques for assessing risk and cost. Our current efforts are designed to give us those tools because, to be sure, that is going to be the name of the regulatory game from now on.

Senator ANDREWS. Well, actually it protects the public's right to know. You hear an awful lot of comments about the economic cost of regulation. Sometimes there is a whale of an economic cost if we don't regulate. I think protecting the public's right to know and having some type of definitive yardstick would help a lot.

SUBMITTED QUESTIONS

Mr. Administrator, it has been most interesting this morning. I have some questions for the record from my colleague Senator Chiles. I also have some other questions of my own that I would like to submit for you to answer for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

GAO CRITICISM OF INFORMATION SYSTEM

Senator Andrews: A GAO report issued November 4, 1980, recommends that DOT should obtain better data regarding the hazardous materials industry, improve DOT's hazardous materials information system, and better evaluate the risks associated with transporting these materials. Do you agree with this assessment? What steps are being taken to correct the current deficiencies? What progress have you made in improving the quality of information on what hazardous materials are being transported, in what volume, to where, and by which means of transportation?

Response: The MTB has the information necessary to structure and maintain a valuable hazardous materials information system. By restructuring and organizational updating of the data that is currently available, an effective HMIS can be realized.

MTB is cooperating with the industry to examine information that is now being collected to determine its validity and usefulness with respect to regulation development and with other programs with which the HMIS is associated.

MTB is also in the process of establishing a network of information between the DOT, other agencies, industry, and universities regarding hazardous material information, and in building an information system for inspection and enforcement.

MTB is currently in the process of developing a commodity flow data base which will be used to monitor transporters of hazardous materials. This information is necessary for RSPA to plan, conduct, and evaluate effectively its inspection and enforcement activities.

HMIS will integrate existing systems while at the same time not imposing new or cumbersome burdens on the industry.

MONITORING SHIPMENTS

Senator Andrews: Do you believe the monitoring of shipments, shippers, and carriers of hazardous materials is adequate?

Response: We believe the current level of monitoring hazardous materials shipments, shippers and carriers reflects an appropriate Federal role. We cannot mount a nationwide Federal enforcement effort that would provide the level of inspection necessary to deter violations across all transport modes. Thus, it is necessary that we mobilize State and local manpower resources to assist the enforcement effort by encouraging State governments to adopt the Federal standards as their own. This approach also offers the corollary benefit of reduced regulatory burden on industry through elimination of multiple and conflicting State and local regulations.

HAZARDOUS MATERIALS STATISTICS

Senator Andrews: Please provide for the record a table showing the number of hazardous materials incidents by mode, including an indication of fatalities, injuries and property damage for each of the last four years.

Response: The following is a listing of hazardous materials incidents by mode, including fatalities, injuries and property damage.

DAMAGES BY REPORTING YEAR
(IN DOLLARS)

MODE	1977	1978	1979	1980*	Total
AIR	$ 28,686	$ 6,834	$ 30,312	$ 17,785	$ 83,617
HIGHWAY (FOR HIRE)	4,272,106	7,440,533	5,372,736	3,921,436	21,006,811
HIGHWAY (PRIVATE)	4,356,545	3,819,373	3,552,533	1,496,917	13,225,368
RAILWAY	7,815,243	6,848,364	3,781,500	3,158,239	23,603,346
WATER	18,258	17,912	30,364	106,799	173,311
FREIGHT FORWARDER	351	160	0	150	661
OTHER	9,700	0	5,100	36,054	50,854
TOTALS	$16,500,889	$18,133,176	$14,772,545	$ 8,337,358	$58,143,968

* 1980 figures are projected, based on actual 8-month figures.

INCIDENTS BY MODE AND REPORTING YEAR

MODE	1977	1978	1979	1980*	Total
AIR	130	231	284	229	874
HIGHWAY (FOR HIRE)	13,000	15,983	15,355	14,605	58,943
HIGHWAY (PRIVATE)	1,250	565	623	423	2,861
RAILWAY	1,500	1,191	1,215	1,309	5,215
WATER	50	47	34	51	182
FREIGHT FORWARDER	20	5	2	1	53
OTHER	0	0	11	30	61
TOTALS	15,950	18,022	17,524	16,647	68,194

* 1980 figures are projected, based on actual 8-month figures.

INJURIES BY MODE AND REPORTING YEAR

MODE	1977	1978	1979	1980*	Total
AIR	9	43	13	4	69
HIGHWAY (FOR HIRE)	447	536	608	460	2,051
HIGHWAY (PRIVATE)	60	58	89	28	235
RAILWAY	233	482	228	120	1,063
WATER	0	10	1	1	12
FREIGHT FORWARDER	0	1	0	1	2
OTHER	0	0	2	3	5
TOTALS	749	1,130	941	617	3,437

* 1980 figures are projected based on actual 8-month figures.

DEATHS BY MODE AND REPORTING YEAR

MODE	1977	1978	1979	1980*	Total
AIR	0	0	0	0	0
HIGHWAY (FOR HIRE)	14	14	12	12	52
HIGHWAY (PRIVATE)	17	6	6	3	32
RAILWAY	1	26	0	3	30
WATER	0	0	0	0	0
FREIGHT FORWARDER	0	0	0	0	0
OTHER	0	0	0	0	0
TOTALS	32	46	18	18	114

* 1980 figures are projected, based on actual 8-month figures.

TRAINING

Senator Andrews: Please describe the training provided by RSPA for local and state officials on the subject of hazardous materials. What are the objectives and costs of the training? How many people are trained annually? What percentate of the training cost is assumed by the state or local governments?

Response: MTB's current training and information programs for local and state officials include the following:

(1) In-depth training of Federal, state, and industry personnel at the Department's Transportation Safety Institute. Course offerings include air transportation of hazardous materials, intermodal transportation of hazardous materials, rail transportation of hazardous materials, emergency service workshops, and industry awareness seminars.

(2) Production and distribution of over 35 different kinds of educational materials to provide information on regulatory provisions.

(3) Distribution of audio-visual training courses for those with responsibility for handling hazardous materials transportation and pipeline emergencies, aimed at fostering a better understanding of their roles in the development and implementation of comprehensive, coordinated, viable community emergency action plans.

(4) Distribution of the emergency action guide for selected hazardous materials to aid emergency services personnel in handling hazardous materials incidents.

(5) Assistance to the Federal Emergency Management Agency in the development and delivery of training provided to fire service personnel through FEMA's fire service academy.

(6) Development and distribution of a home study course on hazardous materials emergencies for training of volunteer firemen and other emergency services personnel.

(7) Development of a radioactive materials transportation emergency response, audio-visual course.

MTB's objective in the program is to develop and distribute training and training packages which other Federal and non-Federal entities can deliver within a pyramidal framework which will reach the widest possible base, and to make those state and local agencies concerned with hazardous materials transportation more knowledgeable about the requirements of the regulations pertaining to the transportation of hazardous materials by all modes, and more knowledgeable in how to deal with emergencies.

Encouraged by the success of our FY 80 pilot project in Colorado and working with the appropriation increase realized for FY 81, MTB is undertaking an effort to foster the establishment of three to six regional training centers. By providing start-up funding assistance and technical support to qualified combinations of state and local governments, and private sector groups, MTB is seeking to bring into being a national network of self-supporting training centers which will be able to provide hazardous material training for the regulated industry (shippers and carriers), state and local enforcement agencies, and emergency response agencies.

The share of training costs borne by the states and localities includes travel and per diem for personnel attending training courses at TSI; purchase cost of stand-alone training course packages developed by MTB; and labor costs associated with local training of personnel by employees who have attended formal training programs at TSI. DOT funds course development,

production, distribution and costs associated with operation of the Transportation Safety Institute.

MTB projects a cost of $1,455,000 for FY 82 for the entire training program.

For FY 80 MTB's training program distributed 1.5 million pieces of training materials and answered 10,000 written or telephonic requests for information. The number of people to receive training at or by TSI was approximately 4,700 in FY 82.

The number of personnel who benefit from MTB's training is approximately 100,000 annually, and the number who benefit on a secondary level is estimated to be 8 to 10 times this number.

COORDINATION WITH FEMA

Senator Andrews: What coordination, if any, does RSPA have with the Federal Emergency Management Agency in regard to hazardous materials accidents?

Response: The MTB supports and cooperates with the Federal Emergency Management Agency which is responsible for a broad overview of the problems of emergency preparedness.

Because we believe that hazardous materials transportation accident preparedness and response are subsets of national, state and local preparedness for all manner of natural and man-made emergencies, MTB has urged FEMA to increase its activities relating to local planning for transportation emergencies and training of emergency response personnel. As FEMA assumes more of these responsibilities, MTB will continue to provide, as it now does, technical guidance and support in the development, review and approval of state and regional emergency response plans and in the development of FEMA training courses for fire service, emergency medical and other emergency response personnel.

NTSB CRITICISM OF DOT ENFORCEMENT

Senator Andrews: In a response to a request by the Senate Appropriations Committee, the NTSB has completed a report on the transportation of hazardous materials by truck. They state that "the current DOT enforcement effort is seriously deficient in that DOT does not have accurate data concerning the characteristics of highway hazardous materials transportation, including information on overall industry compliance with Federal regulations; and has not coordinated the hazardous materials enforcement activities of its several modal administrations."

It's our understanding that the Materials Transportation Bureau within RSPA shares in these responsibilities. Are these conclusions provided by NTSB accurate? How do you intend to correct the situation?

Response: We believe the NTSB report to be a detailed and thoughtful examination of transportation of hazardous materials by truck.

We have only recently received the report and have not yet had an opportunity to study it in depth.

As part of the hazardous materials information system, an enforcement information system is being developed which will consolidate all enforcement and compliance information and, therefore, will make this confirmation easily accessible to all inspection and compliance personnel.

ROUTING OF RADIOACTIVE MATERIALS SHIPMENTS

Senator Andrews: In last year's Senate hearing, you said that you expected a final rule to be issued in November 1980 requiring vehicles carrying radioactive materials to avoid heavily populated areas and minimize travel time. Has that rule been issued, and, if so, what are the major changes it incorporates?

Response: The rule in question was issued on January 19, 1981, and will become effective in February of 1982. The rule establishes routing and driver training requirements for highway carriers of large quantity packages of radioactive materials.

The final rule will require motor vehicles carrying high level radioactive shipments, such as spent fuel from nuclear plants, to travel only on "preferred" highways, i.e., interstate highways or alternate highways designated by the States based on safety criteria set forth in the rule. The use of interstate highways would provide the greatest margin of safety since they have much lower accident rates than other highways.

Motor vehicles carrying highly radioactive loads would be required to use an interstate beltway or bypass route to avoid passing through center city neighborhoods. For cities lacking in interstate bypass, the State could designate an alternate route to serve the same purpose. Motor vehicles carrying lower-level radioactive materials, such as medical isotopes, would be subject to less restrictive routing requirements.

MAJOR REGULATORY ACTIONS

Senator Andrews: What major hazardous materials regulatory actions have you taken during the past year? Provide for the record a complete list of all final rulemakings adopted last year.

Response: Regulations were published during 1980 which introduced an entirely new hazard class, ORM-E, to cover materials which pose long-term hazards to health and safety, or to the environment.

In order to improve the capability of emergency personnel to quickly identify hazardous materials and ensure the accurate transmission of information to and from the scenes of accidents, regulations were established that now require the display of a four-digit number on shipping papers, packages and certain transport vehicles.

There were two major notices of proposed rulemaking, both of which resulted in final rules issued in January 1981. One established routing requirements applicable to motor carriers transporting radioactive materials. The second one was a follow-up to an earlier rulemaking that dealt with specifications 112 and 114 rail tank cars used to carry hazardous materials. This one addressed the family of small (spec. 105) tank cars. It set new construction standards for thermal and head protection and upgraded couplers. It also required the outfitting of all existing hazardous materials tank cars with upgraded couplers.

The following provides a listing for all final hazardous materials rulemakings for 1980.

Appendix B - Rulemaking Publications During 1980

Docket Number and Subject	Date Published	Action	Synopsis
HM-22 Matter Incorporated by Reference	2/14/80 2/28/80	NPRM Final Rule	Continuing regulatory docket to update references to industry trade publications or quasi-regulatory bodies concerning container specifications, testing, and other by requirements pertaining to the shipment and carriage of hazardous materials. Examples of publications include the IMCO Dangerous Goods Code, the ASME Boiler and Pressure Vessel Code, and the Compressed Gas Association's Pamphlet C-6 for visual inspection of cylinders.
HM-36 A Elimination of Certain Reporting Requirements	6/16/80 11/6/80 12/8/80	NPRM Final Rule Final Rule (revision)	MTB's analysis of the hazardous materials incident data base indicates that continued reporting of incidents involving certain materials is of minimal value when weighed against the burden placed upon the carriers who are required to prepare and submit written reports.
HM-56 Miscellaneous Changes	12/11/80	Final Rule	This docket was established to change or delete certain incorrect references, to correct certain spelling and editorial errors, and to make minor regulatory changes which will not impose any new restrictions.
HM-118 Expanded Polystyrene Resin	5/22/80 11/10/80	Termination of Docket Termination of Docket (revision)	Proposal was to list and classify polystyrene resin, expandable, containing a flammable liquid or gas, as a flammable solid. Docket HM-159 included this material within its scope.
HM-126 A Hazard Identification and Emergency Response Capabilities	5/22/80 6/30/80 7/10/80 11/10/80	Final Rule Notice of public hearing and request for comment, and extension of voluntary compliance date Notice of public hearing and request for comment Final Rule (revision)	Adoption of a numeric identification system for hazardous materials. The numbers must be displayed on shipping papers and containers to improve the capability of emergency response personnel by quick identification of hazards after a spill. Also requires listing each type of organic peroxide in the Hazardous Materials Table to enhance response activities associated with the different risks presented by these materials.

Appendix B - Rulemaking Publications During 1980 (CON'T)

Docket Number and Subject	Date Published	Action	Synopsis
HM-126B Improved Descriptions of Hazardous Materials for Emergency Response	5/22/80 11/10/80	Final Rule Final Rule (revision)	To more specifically identify certain hazardous materials to facilitate the assignment of hazard identification numbers and to improve emergency response capabilities. Materials include generic groupings of pesticides and materials identified by an n.o.s. entry in the Hazardous Materials Table.
HM-139 Conversion Exemptions into Regulations of General Applicability	1/24/80 3/24/80 7/10/80 7/21/80	Final Rule NPRM Final Rule Final Rule (revision)	Continuing regulatory amendments to eliminate exemptions and make shipping of alternatives available to the general shipping industry.
HM-145A Hazardous Waste Materials	5/22/80 7/10/80 11/10/80	Final Rule Notice of public hearing and request for comment Final Rule (revision)	To address the peculiar problems associated with the transportation of hazardous waste materials. This rulemaking is the result of a joint effort by DOT and EPA to carry out the provisions of the Resource Conservation and Recovery Act (RCRA).
HM-145B Hazardous Substances	5/22/80 6/30/80 11/10/80	Final Rule Notice of public hearing and request for comment, and extension of voluntary compliance date Final Rule (revision)	To address the transportation of materials identified by EPA as hazardous substances that may threaten health and safety or property when discharged in certain quantities. This rulemaking is the result of a joint effort by DOT and EPA to carry out the provisons of the Federal Water Pollution Control Act (FWPCA).
HM-152 Radioactive Material by Air	3/27/80	Final Rule	Revision of certain rules to reduce radiation exposure of passengers aboard aircraft.

Appendix B - Rulemaking Publications During 1980 (CON'T)

Docket Number and Subject	Date Published	Action	Synopsis
HM-159 Forbidden Materials	5/22/80 11/10/80	Final Rule Final Rule (Revision)	Adds to the Hazardous Material Table specific names of materials considered too dangerous to ship in commercial transportation.
HM-163 Bureau of Explosives Delegation of Authority	5/19/80 10/20/80	Final Rule NPRM	Continuing regulatory amendments to withdraw delegations of authority from the Bureau of Explosives (Assoc. of American Railroads) pertaining to cylinder test apparatus approval; registration of container manufacturer symbol; testing of cigarette lighters; and filing of various reports. (See App. D)
HM-164 Highway Routing of Radioactive Materials	1/31/80	NPRM	This regulation would establish routing requirements for the highway carriage of radioactive materials.
HM-166 Terminations Regulations Considered Unnecessary or Duplicative	2/28/80 10/16/80 9/11/80 4/14/80 9/18/80 5/19/80 12/8/80	Final Rule Final Rule (revision) Final Rule NPRM Final Rule Final Rule ANPRM	Continuing regulatory amendments to delete obsolete specifications or other of regulations; to revise and clarify certain portions of the regulations; to handle petitions for rulemaking considered routine and non-controversial.
HM-168 Hazardous Materials Aboard Aircraft	1/31/80 5/27/80 7/17/80	Final Rule Final Rule Final Rule (correction)	Establishes standards for the safe operation of aircraft carrying certain hazardous materials.
HM-169 Transportation of Radioactive Materials	7/28/80 8/21/80	Final Rule Final Rule (correction)	To revise the domestic requirements for the transport of radioactive materials to make them compatible with the international requirements promulgated by the International Atomic Energy Agency (IAEA).

Appendix B - Rulemaking Publications During 1980 (CON'T)

Docket Number and Subject	Date Published	Action	Synopsis
HM-171 Use of United Nations Shipping Descriptions	5/22/80 6/30/80 7/10/80 11/10/80	Final Rule Notice of public hearing and request for comment, and extension of voluntary compliance date Notice of public hearing and request for comment Final Rule (revision)	To authorize the optional use of United Nations shipping descriptions and identification numbers in place of existing descriptions required for domestic hazardous materials transport. The amendment greatly facilitates the international carriage of hazardous materials previously subject to dual requirements.
HM-172 Marking and Record Retention for Cylinders	2/14/80	NPRM	Proposed revision and clarification of cylinder marking requirements; deletion of approval for changes to owner markings, user markings, and serial numbers; deletion of submission requirements for cylinder test reports and substitute record retention requirement.
HM-173 Transportation of Wet Electric Storage Batteries	2/28/80	NPRM	Would establish new standards for transportation of wet cell electric storage batteries, and for wet cell battery equipped wheelchairs on passenger-carrying aircraft.
HM-174 Safety Improvement Program for DOT 105 Tank Cars	7/21/80 7/31/80	NPRM NPRM (correction)	Consideration of possible changes to current safety performance standards of DOT 105 tank cars.
HM-175 Tank Safety Improvements: Specifications and Retrofit	7/21/80	ANPRM	Would extend the puncture and thermal protection systems now required for Car DOT 112 and 114 tank cars to existing DOT 105 tank cars and to other newly constructed tank cars.

Appendix B - Rulemaking Publications During 1980 (CON'T)

Docket Number and Subject	Date Published	Action	Synopsis
HM-176 Aluminum Cylinder Specification	8/14/80 9/4/80	NPRM NPRM (correction)	Development of specifications for aluminum cylinders.

GRANTS-IN-AID

Senator Andrews: According to the list provided on page GR-2 of your budget justification, the four States which are not participating in your FY 81 grants-in-aid program are South Dakota, Alaska, South Carolina, and New Mexico, yet you mentioned that 49 States participated in FY 1980. What has caused some states to withdraw from the program? What is the incentive for a State to participate? If a State is not receiving funds, does that mean that the Federal Government is regulating natural gas pipeline safety in that State? Is the regulation of nonparticipating States the responsibility of RSPA? What does it cost the Federal Government to perform this function?

Response: Alaska and South Dakota have withdrawn from the program for political and financial reasons and neither currently has a State pipeline safety program. South Carolina and New Mexico have never elected to accept money from the program.

Under Section 5 of the NGPSA, States may participate in the Federal gas pipeline safety program by filing a certification under Section 5(a) or by entering into an agreement under Section 5(b). States certified under Section 5(a) assume regulatory and enforcement authority over intrastate gas facilities. To qualify, a state must have adopted gas pipeline regulations at least as stringent as the Federal standards and must provide for enforcement authority for those standards by injunctive and monetary sanctions substantially the same as those authorized by Sections 9 and 10 of the NGPSA.

State agencies that do not meet the criteria for a 5(a) certification may enter into a 5(b) agreement to undertake certain aspects of the gas pipeline safety program for intrastate facilities on behalf of the Department. Under a Section 5(b) agreement, State agencies conduct operator surveillance to ascertain compliance with the Federal regulations. Probable violations are reported to MTB for Federal enforcement action. The gas pipeline safety grant-in-aid program allows States to apply to the Department for reimbursement of up to 50 percent of their expenditures for gas pipeline safety programs.

The grant-in-aid program was first implemented in 1971, when $500,000 was allocated to 35 States. Since then the number of States participating has increased to between 48 and 50 and the amount of funds allocated to approximately $3.1 million.

GAS AND LIQUID PIPELINE STATISTICS

Senator Andrews: Please provide the record a table showing the number of gas and liquid pipeline incidents and the fatalities, injuries and property damage, if any, resulting from such incidents over the last four years.

Response: The following is a listing of gas and liquid pipeline incidents, fatalities, injuries and property damage for the years 1976 through 1979, inclusive.

GAS TRANSMISSION PIPELINES

	1976	1977	1978	1979
Incidents:	517	533	535	461
Fatalities:				
Employee	2	4	1	4
Non-Employee	6	3	11	2
Total	8	7	12	6
Injuries:				
Employee	22	10	16	13
Non-Employee	27	16	97	37
	49	26	116	40
Property Damage:	$5,303,951	$9,418,678	$5,981,619	$13,034,241

GAS DISTRIBUTION PIPELINES

Incidents:	907	1168	949	1419
Fatalities				
Employee	16	3	0	9
Non-Employee	20	29	7	24
Total	36	32	7	36
Injuries:				
Employee	34	31	30	44
Non-Employee	165	483	171	230
Total	199	514	201	274
Property Damage:	$649,712	$1,478,471	$821,278	$1,756,079

LIQUID PIPELINE

	1976	1977	1978	1979	1980*
Incidents:	212	237	255	251	31
Fatalities:					
Employee	0	1	0	1	0
Non-Employee	5	2	8	4	0
Total	5	3	8	5	0
Injuries:					
Employee	4	7	3	3	1
Non-Employee	0	8	2	9	1
Total	4	15	5	12	2
Damages:					
Carrier	$1,219,177	$2,303,928	$3,105,745	$2,872,210	$11,618
Other	0	15	2	2,000	400
	$1,219,177	$2,303,943	$3,105,745	$2,874,210	$12,018

* Reflect figures from January 1 through August 31, 1980.

CONTRACT SUPPORT

Senator Andrews: Will the additional $298,000 for contract support for pipeline safety regulations be used to purchase the services of your own staff at TSC or for outside contractors? In general, when would you contract with your own staff versus an outside contractor?

Response: The additional resources will be used to obtain the services of private contractors. In general, those projects for which TSC is considered the best source of support are those which involve coordination and integration efforts of systems that currently exist within DOT. Private contractors and other government agencies are also utilized for operations and maintenance for in house systems for programming, and when expertise in a certain area is needed.

GRANTS-IN-AID

Senator Andrews: Your budget requests $3,618,000 for grants-in-aid for Natural Gas Pipeline Safety. For what purpose was the program originally established? What is the continuing Federal responsibility in this area? Has this program already achieved its intended purpose?

Response: The Federal grant-in-aid program was established to encourage continued cooperation by states in meeting and maintaining Federal gas pipeline safety standards, and to provide those states that qualify with assistance in meeting their expenses for gas pipeline safety programs.

The responsibility of the Federal government is to grant monies to states that qualify, and to take appropriate enforcement actions where necessary.

Since the program's inception, the number of participating states and state employee person-years devoted to pipeline safety have drastically increased, and the number of states participating has increased from 35 states in 1971, and a total allocation of $500,000, to a total of 48 states now participating, and approximately $3.1 million in funds being allocated. The program is by definition an incentive program the ends of which can only be achieved as long as the incentives are maintained.

TRANSPORTATION SYSTEMS CENTER FUNDING AND STAFFING

Senator Andrews: Please expand on how the Transportation Systems Center is financed and how staffing decisions are made given the fact that your work varies considerably with the needs of the different modal administrations?

Response: TSC has no Congressional budgetary authority of its own. It receives funding through a recently legislated Working Capital Fund (Sec. 207, P.L. 96-254; May 30, 1980), which provides the mechanism for transferring funds from the Office of the Secretary and the Operating Administrations to carry out individual projects. For these projects, which are specified in the Congressionally-approved budgets of the various DOT organizational elements, TSC uses in-house technical resources, support contractors (including university resources) in accordance with the guidelines of OMB Circular A-76. As a derived DOT resource, TSC must obtain funding through projects to pay salaries and expenses for the technical staff and contract monies, as well as administrative and facilities operating costs.

TSC plans and staffs its technical projects through a straightforward process of negotiation with its Washington "sponsors". The following factors guide this process: Department of Transportation policy statements and planning documents; OMB circular A-76 and DOT directives, specific modal missions and needs; budget considerations and

project priorities; TSC capabilities and areas of expertise, and planning constraints. Project alternatives are identified and discussed with managers in the Office of the Secretary and the Operating Administrations. These alternatives are reviewed concurrently against guidelines such as TSC resource limitations, staffing ceilings, and TSC's capabilities. The relationships of complementary projects are also considered.

Selected projects are then negotiated with the sponsors and a document called a Project Plan Agreement is developed for each one. The Project Plan Agreement establishes the scope of work, labor, and contract resource allocations for the project, along with the amount of funding to be transferred from the sponsor to TSC. A General Working Agreement also is created to transfer funds from the accounts of the Office of the Secretary and the Operating Administrations to TSC's Working Capital Fund. TSC makes the final assignment of resources to the project. Staff are assigned to programs based on their expertise in particular research areas, familiarity with the sponsor's problems, or other unique capabilities they can bring to a research team.

TSC works closely with the Office of the Secretary and Operating Administrations to plan and implement Departmental work. As a result of these activities and TSC's assessment of strategic Departmental needs, TSC's skill mix and capabilities are adjusted continually to meet DOT needs. Each year about 95 percent of TSC's staff work on the Department's highest priority programs, some of which are multi-year efforts.

The specific capabilities TSC uses for a particular project depend on the needs of the sponsor as determined in the "consultive-negotiative" project planning process, as well as the historical support TSC has provided for that sponsor. Some operating administrations do their own contracting, institutional planning, and program planning, which minimizes the need for TSC support in these areas. Other sponsors require the complete range of TSC support capabilities from planning, program definition and budgeting to implementation and contracting, and synthesis of research results.

MINORITY UNIVERSITIES OUTREARCH PROGRAM

Senator Andrews: Describe your "Minority Universities Outreach Program" to increase skills in the Nation's minority schools through joint development projects.

Response: The following "joint development projects" will be used to increase skills in the Nation's minority schools and help carry out the mission of the Department of Transportation:

- The DOT Summer Research Program for Faculty at Minority Colleges and Universities. This program is for faculty at minority colleges and universities who are interested in transportation research. Each selected applicant will join a team of academic researchers at a host university for the summer. Each participant will be matched with an ongoing DOT university research project and will be provided an opportunity to work in a declared area of interest.

- Collaborative transportation research efforts between minority and non-minority colleges and universities. Highly meritorious proposals obtained through the Annual Solicitation involving joint research efforts between minority and non-minority universities will receive consideration for contract award.

- Technical assistance to stimulate research proposal submission and the development to transportation research programs at minority colleges and universities. Some specific examples are:

  - Proposal writing workshops for faculty at minority colleges and universities

  - Contract management workshops for faculty and grants (or contracts) officers at minority colleges and universities

  - Research initiation contracts to faculty at minority colleges and universities

MINORITY UNIVERSITIES RESEARCH

Senator Andrews: What is the interest of the Department of Transportation in this area that would override the severe fiscal restraints with which we are faced and result in a ten percent increase in your budget request for this activity?

Response: The Minority Universities Outreach Program is in support of Presidential Executive Order 12232 of August 8, 1980. The Program responds to this Executive Order in that one of the goals is to strengthen and expand the capacity of historically black colleges and universities to participate in the research programs of the Department. The Office of the Secretary of Transportation has supported outreach efforts by the Office of University Research over the years; however, the University Research Program is severely strained at the current level of funding. Additional funding is therefore needed to develop and expand the Minority Universities Outreach efforts and to allow it and the University Research Program to operate in an efficacious manner.

CARGO SECURITY

Senator Andrews: The GAO has conducted a study of your efforts to promote cargo security and concluded that industry has minimal interest, the DOT modal administrations have inadequate staff resources dedicated to the problem and that your participation is hindered by budget considerations. Given these facts, what changes have you made in the scope of the program and have you realistically assessed its need and the possibility of its elimination?

Response: We have realistically assessed this program and found that we have no hard evidence to indicate that this program has been effective in reducing the incidence of cargo theft. We have therefore concluded that the private sector and local government activities are better suited to attack the problems of theft and we are recommending that Executive Order 11836 entitled, "Increasing the Effectiveness of the Transportation Cargo Security Program," be rescinded and that each Federal agency concerned with cargo security act in accordance with their own statutory obligations.

LORAN-C FOR LAND VEHICLES

Senator Andrews: What is the practical value of land vehicle use of LORAN-C signals? What is the total amount in your budget request for this activity?

Response: The LORAN-C system provides an accurate method for determining and monitoring the location of land vehicles. This capability can be used in conjunction with a communication system to increase the efficiency and effectiveness of transportation systems in the following applications: automatic monitoring and dispatching of police, fire and emergency medical vehicles; management and dispatching of bus systems, truck, taxi and service fleets; highway inventory, and accident location. The LORAN-C system is operated by the U.S. Coast Guard primarily for the benefit of marine navigation. By making concurrent use of the LORAN-C system, land vehicle location services can be provided relatively inexpensively in areas where the LORAN-C system is already in operation. Since the LORAN-C system currently provides coverage to approximately two-thirds of the U.S. land area, substantial savings will result from its adoption as a land vehicle location system. The amount included in the budget request for this activity is $100,000.

TSC STUDY ON THE EN ROUTE COMPUTER REPLACEMENT

Senator Andrews: When will the results of the Transportation Systems Center study on the en route computer replacement become available?

Response: The Transportation Systems Center is performing a study as part of the Federal Aviation Administration's En Route Computer Replacement Program. The study will establish the fundamental methodology for assessments of the costs and benefits of the replacement program and develop initial descriptions of the expected benefits which might result from the successful development of a replacement system. The results will be available on November 1, 1981.

MTB ACCOMPLISHMENTS

Senator Andrews: Specifically, what have been the MTB's accomplishments over the last three years?

Response: MTB has made significant accomplishments in several of the programs the Bureau maintains.

In the rulemaking area, in cooperation with EPA, MTB has adopted final regulations pertaining to the transportation of hazardous substances subject to Section 311 of the Clean Water Act. This received strong support from the industry who were concerned about being subjected to dual regulation on substances already classed as hazardous materials.

MTB has also amended its safety standards to establish a set of comprehensive regulations governing the design, including site selection, construction, operation and maintenance of liquefied natural gas (LNG) facilities used in transportation of natural gas by pipeline in or affecting interstate or foreign commerce.

MTB has established a natural gas pipeline damage prevention program, which would require operators of gas pipelines in populated areas to establish or participate in damage prevention programs.

In the area of information and analysis MTB is restructuring and updating data and data bases as well as developing a hazardous materials information system (HMIS) which will incorporate pipeline and hazardous materials incidents and analysis into one system.

A network of information is being established between the DOT, other agencies, industry, and universities regarding hazardous materials information for easy access and an information system is being constructed for inspections and enforcement. MTB is currently involved in developing a commodity flow data base which will be used to monitor transporters of hazardous materials. This information is necessary for RSPA to plan, conduct, and evaluate effectively its inspection and enforcement activities. It is the goal of HMIS to integrate systems (hazardous materials and pipeline) while at the same time not imposing new or cumbersome burdens on the industry.

In the area of training, MTB now includes in-depth training of Federal, state and industry personnel at the Department's Transportation Safety Institute (TSI). MTB is also developing programs for states and local communities to more completely coordinate emergency response programs among state, local, and Federal governments and the industry.

In 1980, MTB adopted a regulation requiring use of a numerical identification system for hazardous materials based on the system developed by the United Nations. The identification numbers will aid fire, police, and other emergency services personnel in communicating quickly and accurately concerning a material using lengthy technical names. In addition, numbers will be keyed to MTB's Emergency Action Guide to provide quick access to the emergency response information contained therein.

MTB also has developed and expanded the Coast Guard-operated National Response Center (NRC) which maintains a twenty-four hour response capability to assist local enforcement authorities in combating hazardous materials incidents with a communications network which could notify appropriate state and local officials of a hazardous materials accident.

CHEMTREC is also part of MTB's emergency response program. It is associated with the Emergency Response Office in our information and reporting function. It is a service of the Chemical Manufacturers Association and provides a 24-hour, 7-day-a-week centralized chemical emergency response information and assistance service. CHEMTREC does not operate under a legislative mandate, but rather is a chemical industry supported system for providing assistance to anyone requesting help in a chemical emergency.

In the area of inspection and enforcement concerning hazardous materials, MTB has steadily increased its inspection activity over the last three years. Corollated with this, enforcement activity has increased along with the number of penalties collected.

TSC ACCOMPLISHMENTS

Senator Andrews: Specifically, what have been the TSC accomplishments over the last three years?

Response: Each year as part of its budgetary submission to Congress, TSC submits a list of major accomplishments performed under its Working Capital Fund. With about 180 separate projects for the Office of the Secretary and the operating administrations within the Department, the entire list would be long and would show significant and substantive contributions in nearly every aspect of key Departmental issues and programs.

As the primary in-house research center of the Department of Transportation, the TSC is the only multi-modal research organization serving the whole Department with in-depth capabilities for transportation research and technology, for technical program management and for industry and policy analysis.

In the 1970's, especially in the last three years, our capabilities and activities have grown significantly in the areas of industry and policy analysis; and the character of our research and technology work has changed from an early emphasis on technology development to the recent focus on the assessment of technological potentials and impacts. These trends reflect a growing use of TSC to provide technical depth to the Department's attack upon the key issues confronting it.

Secretary Lewis, at his nomination hearings, defined five major issues confronting the Department in the 1980's. These issues serve as an appropriate framework for presenting a few of the accomplishments of the TSC in the last three years.

I. INVESTMENT AND COST ALLOCATION

ISSUE: "Determining the scope, design, proper allocation levels and sources of funding for highway, aviation, rail, mass transportation and other federally-supported transport programs."

- o Investment Policy Support

  Investment in transportation and transportation industry related facilities and equipment in its entirety comprises more than 5% of total U.S. GNP. TSC has supported elements of the Department in the estimation of the capital needs of virtually all segments of the transportation industry from both public and private sources. Techniques of investment analysis have been surveyed, developed and applied. Impacts of various forms and levels of public financing for transportation facilities, especially inland waterway, highway, and public transit, have been estimated.

- Highway Cost Allocation and User Charges

The Department has been spending more than $8 billion annually on the highway systems of the Nation. Under current trends, these highway revenues will be inadequate to maintain the existing highway system in its present size and condition. Responding to this anticipated deficit, Congress mandated in the Surface Transportation Act of 1978 that studies be conducted to suggest promising approaches to addressing this problem. TSC has produced analyses for the Federal Highway Administration on tax rate and structure changes and their impacts so that legislation can be developed to achieve an efficient and equitable relationship between highway costs and the financial responsibilities of users and beneficiaries. Also, TSC has developed theory and operational methods for integrating concepts of efficient pricing and equitable taxation and applying this knowledge to the design of federal highway user charges.

- Investment Guidelines for Transit

Investments in mass transit have totaled about $2.5 billion per year in recent times. TSC prepared procedural and technical guidelines for UMTA for the planning process required for evaluation of all major transit capital investments. The guidelines address issues related to specification of alternatives, estimation of capital and operating costs, estimation of energy impacts, prediction of patronage, and estimation of economic and environmental impacts.

- Waterway User Charges

There is a 40-year legislative history of the government's attempts to properly allocate the costs of operating the inland waterway system to its users. TSC provided most of the technical content for the DOT study which resulted in the Inland Waterways Revenue Act of 1978. TSC is presently responding to the Act's requirements for further analysis and planning. TSC has developed mode split models and is supporting the Upper Mississippi Master Plan Study, which assesses the intermodal consequences of federal expenditure shifts and user charges in the inland waterway systems. The results of this study will be delivered to Congress this September (1981) and are now being used by the Department in framing appropriate user charge legislation.

- Airframe and Aircraft Engine Manufacturing Industry Analysis

The Department is concerned with the evaluation and development of national policies relevant to the general and commercial aviation sectors of the nation's air transportation and related support industries. In future years, this industry faces severe international competition, investment, and operational difficulties due to a loss in worldwide technology and market shares. TSC is generating information on current projected international competition in the airframe and aircraft engine sectors as one basis for Departmental policy formulation with regard to the aircraft supply sector.

- Grade Crossing Safety

Nearly 1,000 deaths per year occur at rail-highway grade crossings. Since 1970, nearly 1.5 billion of federal funds have been appropriated to protect approximately 30,000 of the 216,000 public grade crossings. To allocate these funds, TSC developed for the FRA and FHWA an allocation formula for the distribution of federal grade crossing funds. This allocation procedure identifies the specific crossings to be protected, and the type of equipment to be used to save the maximum number of lives. The FHWA and FRA are using this approach, and it is expected to save more than $25,000,000 per year in reduced deaths, injuries and property damage.

II. ROLES OF GOVERNMENT

ISSUE: "Assessing the appropriate respective roles and financial responsibilities in transportation activities of the private sector and the various levels of government - federal, state and local."

o Intercity Freight Deregulation

To eliminate the waste resulting from federal economic regulation of intercity freight, the Department has led the government initiatives to deregulate the intercity freight transport industry. TSC's work supported the landmark deregulation acts in both the rail and motor carrier areas passed in 1980. TSC is now evaluating the impacts of these acts as their implementation proceeds. In support of the continuing efforts to reduce federal economic regulation of freight transportation, TSC has studied freight service to small communities, intermodal competition, economies of scale in the motor carrier industry, price changes among regulated carriers, and commodity flows. TSC also analyzed the regional impacts of rail deregulation and assessed the impacts of certain rail mergers in light of anticipated rail deregulation legislation.

o Government Roles in Transit: Accessibility and Deregulation

Public policy and legislation governing federal involvement in urban mass transit has mandated that particular care be given to the mobility needs of elderly and handicapped persons. The law also provides that special attention be given to the impacts of public transit policies on private activities like taxi operations. In support of UMTA, TSC has produced findings on the benefits and costs of providing accessible transit service to the handicapped. TSC studies have considered utilization levels of wheelchair accessible buses, operating costs, and operational problems with lifts. TSC's evaluations of demonstrations involving user-side subsidies for shared-ride taxi service and demand-responsive service provide data for consideration of alternative forms of providing high-quality, low-cost transportation services to the most needy of handicapped and elderly persons.

o Transit Productivity and Innovation

Mass transit deficits in constant dollars have doubled every three and a half years during the 1970's. The federal government, drawn into subsidizing these deficits in the last half of the 70's, has announced it's intention to phase out federal operating subsidies by 1985. To remain viable, the transit industry must improve productivity and service. With the aim of increasing the productivity of transit and enhancing its financial reliability, TSC has conducted extensive research for UMTA on cost-effective innovations for enhancing transit productivity, developing transit services and fares aimed at recovering costs from users, and identifying approaches to shifting transit resources from non-productive to productive uses. Practical findings have been developed and disseminated in the areas of route restructuring, bus rerouting, transfer coordination, schedule modifications, and system-wide fare increases. These findings are available for application by the transit industry to aid them in the current and future climate of fiscal austerity to provide a means of making major improvements in productivity.

o Uniform Truck Size and Weight in Interstate Commerce

The current system of state and federal regulation of size and weight of trucks on the federal aid highway system may hinder productivity improvements and fuel conservation in the trucking industry. Concurrently, high axle loadings permitted in some states may shorten the life of highway pavements and bridges. TSC has provided a significant portion of the total analytical effort for the Congressionally-mandated DOT study of the

existing system of federal and state regulations of truck sizes and weights on the federal aid highway system. TSC has been estimating the savings to the transportation industry and to shippers attributable to a more uniform system of size and weight regulation among the states. The national and regional transportation cost savings and fuel conservation possible with alternative limits on axle loadings, gross vehicle weights and vehicle size have been estimated. The trade-offs among types of limits to maximize productivity while minimizing the cost of maintenance of the highway systems are being estimated.

o International Air Operation

In 1976, the United Kingdom abrogated the Bermuda Agreements in international aviation. Since then, the Department has been renegotiating the U.S. role in various bilateral treaties for operating international airlines. TSC has developed and implemented a unique capability to monitor all carriers, including foreign flags, and the associated traffic and market share. TSC prepares monthly reports for use by the Department and major U.S. airlines showing overseas passenger traffic by overseas destination for management decision-making. This information capability was developed without any increase to the public burden of reporting requirements. These statistics are also integrated into the Department's calculations of the Airport Development Assistance Program funds distribution.

III. IMPROVEMENTS IN FEDERALLY-MANAGED OPERATIONAL PROGRAMS

ISSUE: "Assuring the continuation and improvement of the safety and productivity of the major federally-managed operational programs, such as air traffic control and water safety."

o Air Traffic Control

The FAA operates a large and sophisticated air traffic control system which is essential to safe and efficient domestic and international air operations. TSC has provided, and continues to provide, the FAA with research and engineering support relevant to the long term upgrading and modernization of the national air traffic control system. TSC has over thirty projects in support of the FAA for studies, assessments of traffic control technologies, and ATC development.

o Marine and Air Navigation

There are two existing systems for long-range navigation. These are the radio navigation system developed by the Department of Defense and the Federal Aviation Administration for aircraft navigation applications (VOR/DME), and the radio navigation system developed by the Department of Defense and the Coast Guard for marine navigation applications (LORAN-C). These existing systems are in competition with the new navigation satellite technology for global navigation purposes being developed by the Department of Defense. Major questions pertain to the future utilization and development requirements for these systems. As part of the on-going assessment of these navigation systems, TSC has provided analyses and technical inputs which were utilized in the Federal Radionavigation Plan.

In addition, TSC has completed, or has in progress, the following studies: (1) Report on low cost radio receiver designs, compatible with the NAVSTAR satellite for use in civil marine and air environments; (2) Planning model for land applications of alternative radio navigation systems; (3) Evaluation of the LORAN-C radio navigation system for aircraft operating in remote and mountainous terrain, for off-shore helicopter operation, and for harbor traffic management systems.

o Airport and Aircraft Noise Evaluation

Noise represents an undesirable byproduct of air transportation operations, impacting the community and hindering the growth of commercial aviation. TSC, in support of the Federal Aviation Administration (FAA) has developed procedures for the evaluation of airport noise distributions as a function of aircraft type and operating patterns; these procedures are currently being promulgated by the FAA as the standard approaches for estimating airport noise. In addition, TSC has developed improved test procedures for aircraft noise certification and has assessed the noise patterns of the supersonic Concorde associated with flights to and from New York City's Kennedy International Airport.

o Aircraft Fuel Conservation

The air transportation industry is faced with increasing fuel cost and threats to fuel availability. Over the past year, the fuel cost factor for airline operations has increased from 10 to 30%. TSC, in support of the Federal Aviation Administration, has developed and validated a methodology for projecting the effects of alternative air traffic control procedures on aircraft fuel consumption. The methodology for projecting aircraft fuel consumption is being incorporated as part of the FAA's Integrated Air Traffic Flow Management System. It is estimated that the use of this methodology will save the airlines nearly 500 million gallons/year in fuel consumption.

o Coast Guard Support

The U.S. Coast Guard provides technical systems and services to ensure safe marine operations in our inland waterways and coastal waters, and provides for marine law enforcement and environmental protection. The TSC has eight major projects in support of the Coast Guard providing studies and the development of new technology.

o Oil and Other Hazardous Materials Spill Response

The environmental and economic threat presented by oil spills was brought to public attention first in 1967 by the Torrey Canyon disaster and caused increased concern with the Santa Barbara platform spill in 1969, and numerous incidents through the 70's, such as the Argo Merchant spill in 1976, the Amoco Cadiz spill in 1978 and the IXTOC I spill in 1979-80. The Federal Water Pollution Control Act of 1972, and subsequent legislation gave broad responsibilities to the Coast Guard to respond to hazardous material spills in U.S. waters. Following the Argo Merchant near disaster and a presidential commitment, TSC was called upon to assist the Coast Guard in planning a strengthened oil spill response capability. TSC prepared equipment citing recommendations, estimates of response time, a massive spill logistics contingency plan. In addition, the special equipment required to respond to hazardous chemical spills are presently being reviewed by TSC and recommendations for deployment will be made to the Coast Guard this year.

IV. SAFETY AND ENERGY REGULATION

ISSUE: "Providing an appropriate balance between individual and national needs in the implementation of the Department of Transportation's safety and energy regulatory programs."

o Transportation Safety

Although few people are actually killed or injured in the spectacular accidents involving highly hazardous materials, the damage is measured in millions and the potential risk of large scale disaster is always present. TSC

has conducted extensive risk analyses of the movement of hazardous materials, especially by rail. Risk management studies have also been undertaken for the various elements of the Department which are responsible for the regulation of transportation safety. TSC has performed extensive research for the Department relevant to the technological issues of transportation safety such as rail track structures, aircraft certification, and the design of rail equipment.

o Commercial Aviation Safety

U.S. commercial air transportation is the safest transportation mode ever developed. TSC has been providing support to the FAA in specific safety problems, such as the analysis of tire blowouts and engine mounting failure. To support the FAA in reducing costs and providing early warnings for potential aircraft safety problems, TSC has developed a system to automate and thus more efficiently utilize the 50 separate existing FAA safety-related data bases.

o General Aviation Safety

In 1980, 1,500 people were killed in general aviation accidents. The FAA requires information about on-board avionics equipment in general aviation aircraft in order to make effective rules and regulations regarding safe use of the domestic airspace. During the past three years, TSC has developed a new survey of general aviation aircraft activity and avionics to better relate the present on-board equipment with proposed rule-makings involving the benefits from increased equipment requirements. The redesigned sample survey reduced the information collection burden to the public by an annual estimate of $1 million while at the same time improving the quality, accuracy and timeliness of the information.

o Improved Railroad Track Safety Standards

Existing federal railroad track safety standards may unnecessarily constrain railroads in the development and implementation of innovative engineering approaches to reducing track costs and improving track safety. TSC has conducted a cooperative program with the rail industry to provide analyses and information to support FRA development of more cost-effective track safety standards. This program has included field tests and supporting analyses which have led to a better understanding of track behavior and the associated construction and maintenance costs of meeting specified track criteria.

o Fire Safety in Transit Systems

Synthetic non-metallic materials, some of which are flammable, are being increasingly used in transit vehicle construction. The improper use of these materials represents a potential threat to the safety of the transit rider. TSC has supported the Urban Mass Transportation Administration in the development of guideline specifications, including flammability and smoke production for transit materials, the establishment of a materials information bank and assessment of the costs and benefits of material substitution.

o Urban Rail Noise Abatement

Excessive noise from urban rail transit operations is of concern to both passengers and members of the community living and working near the track and elevated structures. Exposure to noise levels which can cause permanent hearing damage is prevalent in many communities and has resulted in organized citizens' reaction. TSC, in cooperation with transit properties in Boston, New York and Philadelphia, has supported the Urban Mass Transportation Administration (UMTA) in the evaluation and deployment of a variety of urban rail noise abatement techniques, including wheel squeal suppression and control of ground and elevated structure

vibrations due to passing rail transit vehicles. TSC, through UMTA, is providing technical expertise to the Washington Metropolitan Area Transit Authority to find a permanent solution to the excessive brake squeal noise problem currently occurring on Washington Metro transit vehicles.

V. THE DOMESTIC AUTOMOBILE INDUSTRY

ISSUE: "Evaluating what may be the greatest problem facing our national transportation policy - the crisis in our domestic automobile industry."

o Motor Vehicle Industry Research

The domestic U.S. auto industry is transitioning from an era of limited foreign competition in the U.S. to a future of intense international competition for the U.S. automotive markets. TSC has provided, and continues to provide, the U.S. government with information and analyses on the current status of the domestic and international auto industry and its related industries in terms of international motor vehicle demand and supply trends in motor vehicle product and manufacturing technology. The ongoing effort includes analysis of industry competitive strategies, changing regional, national and international auto-related employment patterns, and comparative industry/government relations. During the past year, the TSC has been a basic source of knowledge and supporting analysis for the Department's Congressionally-mandated Study on the Long-Term Viability of Chrysler, the recently completed Report to the President on the U.S. Auto Industry -1980.

o Motor Vehicle Technology Assessment

Over the last five years, the increase in domestic gasoline price and gasoline availability has resulted in a general convergence and rapidly changing motor vehicle technologies in Western Europe, Japan, and the United States. TSC in cooperation with the auto industry has evaluated the fuel economy performance potential and emission characteristics of a variety of domestic and foreign engine families, including advanced spark ignition and diesel engines. Continuing assessments of trends in domestic and foreign motor vehicle and motor vehicle component technology are a vital input to the evaluation of policy alternatives, relating to the future of the domestic auto industry and its related industries.

TRANSPORTATION PROGRAMS BUREAU ACCOMPLISHMENTS

Senator Andrews: Specifically, what has been the Transportation Programs Bureau accomplishments over the last three years?

Response:

Intermodal Operations

Issued U.S. Electronic Data Interchange (EDI) standards, and tested EDI standards in U.S.-Canada trade. Designed specifications for interface of EDI standards with data interchange systems of other countries. Requirements for development of coding systems were specially adapted to transportation requirements to facilitate broader and more effective applications of electronic data processing standards to communication among carriers, users and terminal operations.

Initiated a study of the Tri-State area of West Virginia, Pennsylvania and Ohio to determine the economic and technical feasibility of developing a system of intermodal terminal facilities (an intermediate point serviced by truck, rail and barge carriers), linking the water and land transportation arteries, in order to facilitate increased production of coal, coal by-products, and other commodities peculiar to the transportation infrastructure of that region.

Completed a survey of the metropolitan areas of the country and identified the character of thirteen medium-sized areas with potential for significant productivity improvement. This serves as the basis for determining what action the Federal government might take, such as changes in statutes, regulations, or providing technical assistance, to improve the productivity of freight movement.

Developed a multimodal data base of the originating and terminating demand volumes for 171 areas (as defined by the Bureau of Economic Analysis for making economic studies). The data is available by commodity, mode and year (1972, 1980, 1990).

A parametric model was developed to assess the performance and costs associated with all rail and truck freight movement within an urbanized region. This model enables the analyst to study the effects of changes in geography, network, density and equipment on costs, and miles of travel. A planning/evaluation model was started to assess alternative plans for real terminal areas. Results of these models showed that significant savings could be achieved through the use of Transportation Facilitation Centers.

Investigated and reported on the issues surrounding domestic containerization. Based on this, an industry conference was held with representatives of equipment manufacturers and modal associations. Some manufacturers expressed a desire to work with DOT to develop a prototypical domestic container.

Systems Analysis

Methods developed for Urban Mass Transportation Administration for quickly analyzing large transportation networks incorporated into their Urban Transportation Planning System, widely used throughout this country.

New methods using computer graphics developed for the routing and scheduling of vehicles quickly and efficiently. Now used in Dial-a-Ride.

Improved methods for the control of traffic flow in freeway corridors developed and now being tested on Long Island corridor.

Vastly improved methods for predicting the effects on passenger travel of transportation system changes or energy price changes were developed and tested. Now being applied for Federal Railroad Administration and Urban Mass Transportation Administration.

New methods of analyzing the interactions between transportation and economic activity in cities and regions were developed and are being tested.

Cooperative research programs were established with other Federal departments (including National Science Foundation) through an Interagency Committee and with Transportation Departments in West Germany, the United Kingdom and the Netherlands so as to perform research more effectively at lower cost. Six cooperative projects are underway and several more are being discussed.

A comprehensive method for applying systems analysis to a wide variety problems in investment impacts, regulatory assessments and improved operational effectiveness has been developed. Applications are being made to the following issues, with others to follow:

A comprehensive method for determining costs and benefits of non-significant rules in hazardous materials.

Allocation by the Secretary of the air fleet during national emergencies.

Determination of total passenger travel and modal split in the Northeast Corridor as a function of energy price and rail service level.

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Technology Applications

A preliminary assessment of problems amenable to research solutions in pipeline safety was accomplished, along with coordinating with industry and state government the research needs and the establishment of a long-range plan for advanced pipeline safety research.

Systems analysis of multimodal hazardous material transportation issues was accomplished to identify problem areas and technology to mitigate the risk associated with such transportation. An assessment of technological means for improving the emergency response to accidents involving hazardous materials was accomplished.

Basic analytic and laboratory research was initiated to improve engine diagnostics, gather basic information, and determine means for controlling diesel engine particulate and related emissions--via engine and/or fuels modifications. This work includes usage of major new advances in combustion process monitoring (multiple mass spectroscopy, laser doppler velocimetry and unique combustion-bomb facilities). Due to the projected variation and uncertainty in future diesel fuel feedstocks and the nature of the diesel combustion process, per se, this work is targeted in an area with large gaps in the scientific data base. The research is closely coordinated with ongoing research in related areas, including quarterly meetings with representatives of the Department of Energy sponsored combustion program and with industry, particularly with the research staffs of leading diesel engine manufacturers.

Fundamental laboratory and analytic research has also been initiated on fuel combustion processes, both for homogeneous and heterogeneous fuel/air mixtures, again using novel devices and diagnostics for obtaining meaningful data for calibrating combustion models. Data concerning the chemical kinetics and impact of air turbulence on the conversion rates of the significant gaseous, liquid, and solid combustion products is obtained.

Analytic and laboratory research has been initiated on basic technological issues related to the automotive use of improved lightweight composite materials. The issues concern improving the low-impact resistance of sheet molded composites (SMC), the cost reduction advantages of hybrid composites, composites which only partially use costly carbon vs. other fibers, nondestructive testing of laminar cracks via ultrasonics, and improving the joining techniques of the composites to metals.

Telecommunications

Developed and published a Federal Radionavigation Plan (FRP) which unifies government plans in radionavigation systems development and implementation. RSPA has discharged DOT's responsibilities in this area through coordination with the Department of Defense, the Federal Aviation Administration, and the United States Coast Guard on a combined imput to this plan. Extensive coordination was carried out through working groups reporting to the Department of Transportation Navigation Council and the Department of Defense Position/Navigation Executive Committee. These efforts resulted in a four volume document addressing plans and policy, requirements, characteristics, and research and development which was transmitted to Congress on January 12, 1981. This FRP and subsequent annual revisions serve as the primary planning document for all common user Federal raidonavigation services.

To develop the necessary decisionmaking tools for arriving at the best mix of Federally provided radionavigation services, RSPA has developed a cost/benefit model and accompanying data base. Using data from a variety of marine, air, and land users, various scenarios can be obtained to allow the Department of Transportation or Department of Defense planner to make weil founded assessments of future radionavigation system development.

A project to investigate the feasibility of using the LORAN-C radionavigation system for aircraft navigation was completed. The project demonstrated that the LORAN-C system can be used successfully for en route, terminal, and area navigation, as well as for nonprecision landing approaches. It was shown that LORAN-C can be used for aircraft navigation in areas where it is not technically or economically feasible to employ traditional aircraft radionavigation aids such as Very High Frequency Omni-

directional Range/Distance Measuring Equipment (VOR/DME) systems. Air navigation in sparsely populated and mountainous areas, such as Vermont and Alaska, would benefit markedly from such use of the LORAN-C system.

Cargo Security

Developed and published five modal cargo security advisory standards for use by the transportation industry.

Published and distributed twelve quarterly cargo loss reports for the rail and motor carrier industry; a total of 16,000 copies distributed.

Trained over 350 state, local and industry personnel in six cargo security seminars and in conjunction with the Transportation Safety Institute provided training to an additional 500.

Provided over 1,000 copies of cargo security standards, quarterly newsletters, annual reports and film/slide presentations to interested state and local governments and to industry organizations for use in improving their security program.

Issued 625 special reports and analyses of cargo loss data to transportation companies for use in evaluating the effectiveness of their companies' security program.

Published and distributed a Maritime Cargo Loss Prevention Handbook for port executives, terminal operators, law enforcement, shippers, insurers and related rail and motor carriers.

Emergency Transportation

Monitored and coordinated, for the Secretary, the Department's response actions in the Three Mile Island accident, including evacuation planning, location of special transportation equipment, and the establishment of restricted zones for air and inland waterway traffic.

Activated the DOT Situation Center in response to the recent fuel shortage. Monitored and directed overall Federal coordination of transportation needs and fuel availability. Headed an Interagency Team of Energy, Justice, Agriculture, and Interstate Commerce Commission, reporting to the White House on the crisis status and providing recommended actions.

Conducted annually one national and ten regional emergency preparedness training conferences, assisted in the development and review of nuclear power plant contingency plans and continued collection of emergency data and updating of DOT plans.

Expanded DOT Regional Emergency Operating Facilities by the installation of the first four radios. Two additional radios are being installed.

Directed the overall national level Federal transportation response in the Mt. St. Helens disaster. Assembled and coordinated technical assistance teams from nationwide government and private sources and monitored damage assessments and recovery actions for the transportation system.

Completed the first pahse of the Transportation Section of the National Master Mobilization Plan and evaluated its adequacy in a major Federal Interagency Readiness Exercise conducted by the Federal Emergency Management Agency and the Joint Chiefs of Staff.

Led negotiations resulting in first commitment of non-U.S. NATO commercial airlift assets to support NATO reinforcement requirements.

Provided DOT participation in a major assessment by the White House of the Federal, State and local capability to deal with a catastrophic earthquake in California. Followed up with response improvement actions still underway.

Provided both the Chairman and the Head of the U.S. Delegation to the NATO Civil Aviation Planning Committee.

University Research

Princeton University - Fundamental research on the causes of derailment has led to evaluations of standards used to assess the safety of locomotives, rolling stock, track structures, and procedures for maintenance. These results have been applied to derailment problems on several U. S. railroads and mass transit authorities. The results have generated interest internationally in such leading countries in rail technology as Japan, West Germany, and Great Britain.

Central State University of Ohio, a minority school. - Early research results on microencapsulation of intumescent compounds in polymer systems has shown that fire retardants can be incorporated into paints. DOT and the U. S. Air Force are quite interested in the transportation application of the fire retardant; furthermore, its application for reduction of fire loss in other sectors of society appear almost limitless.

University of Tennessee - A study of ridesharing and commuter pools in urban areas devised a "broker" concept to integrate carpools, vanpools, and buses for mass transit. As a result of the research the City of Knoxville set up a major program to implement the "broker" concept. The research was the basis for the first federally-funded vanpool effort and received an energy conservation award from the President.

Massachusetts Institute of Technology - Computer-based predictive models for improving design and performance of passenger rail vehicles were used by Amtrak and the Budd Company and led to an international research exchange between the German Ministry of Transport and the U. S. Department of Transportation.

University of Massachusetts - A study of distribution of the cost of subsidized transportation among human service agencies produced improvements which were used by agencies in Corpus Christi, Texas and Cape Cod, Massachusetts.

University of Virginia - The researchers developed a standard methodology for design of ground transportation interface facilities. The methodology was introduced in a national conference in September 1980 and to date has been adopted by a number of groups including the American Association of State Highway and Transportation Officials.

University of Pennsylvania - Research on freight transportation has produced a method for measuring commodity flows which has become a standard for transportation planners.

Washington State University - The role of regulation was investigated as regards the provision of freight transport service to small rural communities, and it was found that the market is a better allocator of service than is regulation. The Secretary used the research results in Congressional hearings to support the Motor Carrier Act of 1980.

Stanford University - Research on ultra high carbon steels is being implemented by the Ford Motor Company as an inexpensive way to lower the weight of automobiles and thus save energy.

Questions Submitted by Senator Chiles

MASTER METER OPERATORS

Senator Chiles: The National Transportation Safety Board has continued to criticize the Materials Transportation Bureau's program which is intended to insure pipeline safety. The National Transportation Safety Board notes that small systems with 1,000 meters or less have up to 350% more fatalities and injuries per 1,000 miles of main than the industry average. The Safety Board argues that MTB has not used the available management techniques nor made effective use of available resources such as a pipeline data system to more effectively focus its resources to those areas where the payoff would be greater. Please describe the efforts made to more effectively manage your programs. Specifically, how does MTB respond to the Safety Board's criticisms of this subject?

Response: The Natural Gas Pipeline Safety Act assigns the Department of Transportation jurisdiction over small natural gas systems operated by individuals or companies in connection with the rental or lease of housing. Such systems are usually operated by public housing authorities, managers of apartment complexes, or mobile home park owners, and are supplied gas from local utilities by purchase requirements through a master meter--a device which measures large quantities of gas.

Since many of the safety problems that confront operators of gas distribution systems prevail whether the system is a large gas utility or a master meter system, the existing Federal standards were adopted as general safeguards for both. This policy has not worked well for either the industry or the government because it does not take into account the many physical dissimilarities between large and small systems, and the capabilities of those who own and operate them. Contributing to the problem is the fact that many State agencies which are otherwise participating in the Federal/State programs for regulation of gas pipelines are reluctant to assume the difficult and somewhat burdensome task of enforcing the present standards against operators of small systems.

To alleviate these difficulties, the Materials Transportation Bureau is in the process of developing a separate set of safety standards tailored to fit the characteristics of master meter systems which will be easier to follow and less burdensome to enforce.

THEFT-RELATED LOSS OF CARGO

Senator Chiles: The Transportation Programs Bureau operates a number of programs, including one aimed at reducing theft-related loss of cargo. This is a voluntary cooperative non-regulatory program. The GAO in a report dated March 31, 1980, reports that the industry has minimal interest in the program and that it therefore has been largely ineffective. What efforts are being made to improve the effectiveness of the program? How much is proposed for expenditure for this program in FY 1982?

Response: For the past five years, under Executive Order 11836, the Department of Transportation has led a voluntary cooperative government/industry security program which was designed to foster the adoption of improved cargo security procedures by industry. Its effectiveness continues to be very difficult to measure. Although a general stabilization of losses is reflected in the 1980 data, the real impact of the Department's role cannot be clearly established.

As there is no hard evidence to indicate that the special arrangements outlined in Executive Order 11836 have achieved their intended goals, it is considered most appropriate to return the leadership of this effort to the private sector and local government entities which are better suited to attack the crime problem at its source. Therefore, the DOT is recommending that Executive Order 11836 be rescinded and each Federal agency concerned continue its cargo security functions in accordance with its own statutory obligations.

Regarding the question of proposed expenditures, there are no program funds requested for the cargo security program in the FY 1982 submission. The resources committed to the program in FY-82 will be just those necessary for staff personnel to coordinate the cargo security related activities required under the broad statutory obligations.

ADVANCED RESEARCH AND TECHNOLOGY

Senator Chiles: Under the research category entitled, Advanced Research and Technology, a number of projects deal with hazardous materials and pipeline safety. How does this hazardous materials and pipeline safety research differ from the research carried out under the line items entitled, Hazardous Materials Technology and Pipeline Safety Technology?

Response: They differ from the research managed by the MTB by having a longer range focus and by emphasizing the more fundamental technologies in order to broaden future technical options in the carrying out of MTB's missions.

CRITERIA FOR UNIVERSITY RESEARCH PROGRAM

Senator Chiles: What criteria does the agency use to determine what research is funded under the line item, University Research, as opposed to research funded under other line items?

Response: The Office of University Research conducts a Department-wide problem development process each year with key DOT research leaders. The process ends with final problem selection by the Deputy Secretary. The criteria for research topics to be considered in the process are:

1. Must complement but not duplicate the Department's ongoing programs.
2. Must be high priority and of long term interest to the Department.
3. Must be problem-oriented and clearly within the mission of the Department.

The University Research Program sponsors more fundamental and longer range research than is funded under other line items in the DOT budget. The Program manager makes a strong effort each year to initiate studies which may later be handed off to the DOT operating administrations when the concepts have been proven and the research is closer to fruition.

MINORITY UNIVERSITIES BUDGET

Senator Chiles: Under the university research program an increase of $350,000 is requested essentially to support the minority universities outreach program. How does that as a stated objective relate to the main mission of the agency to do transportation research?

Response: The purpose of the Program of University Research is in line with the main mission of the Department of Transportation. Its stated purpose is to assure that resources of the higher education community are effectively brought to bear on transportation problems, and in particular, on those problems related to national transportation policy. The Minority Universities Outreach Program is designed to assure that the resources of minority colleges and universities are utilized in providing research insights related to national transportation policy. Resources at these institutions have been underutilized in the past. The outreach effort is an attempt to develop, enhance, or effectively involve minority transportation researchers in the Program of University Research. The Program is also in support of the Presidential Executive Order 12232 of August 8, 1980 in its attempts to strengthen and expand the capacity of historically black colleges and universities to participate in the research programs of DOT.

IMPACT OF REDUCTIONS

Senator Chiles: In the Administration's February 18, 1981 report entitled, A Program for Economic Recovery, on page 23 the following statement is made: "The merit of research and development is without question. However, in times of fiscal austerity even some promising investments in science and technology must be restrained and new undertakings postponed." In view of this stated position of the Administration, is the RSPA intending to propose reductions to its research program? Specifically, what would the impact be of a 30% reduction to the RSPA research program? Also, what would the impact be of a 50% reduction to the RSPA research program?

Response: Our current plans include a significant reduction in R&D by virtue of the termination of the Cooperative Automotive Research Program. As proposed in our FY 82 budget, this would be a reduction of $17 million from a total funding request for R&D of $31.96 million, or 53%. Since CARP is a new program, its elimination will have little impact on our ongoing R&D activities.

SUBCOMMITTEE RECESS

Senator ANDREWS. I appreciate you coming and good wishes to you.

Mr. DUGOFF. Thank you, sir.

[Whereupon, at 11:55 a.m., Thursday, February 26, the subcommittee was recessed, to reconvene Tuesday, March 3.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

TUESDAY, MARCH 3, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room S-126, the Capitol, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

CIVIL AERONAUTICS BOARD

STATEMENT OF MARVIN COHEN, CHAIRMAN

ACCOMPANIED BY:

ELIZABETH BAILEY, MEMBER
DAVID KIRSTEIN, GENERAL COUNSEL
BARBARA A. CLARK, DIRECTOR, BUREAU OF DOMESTIC AVIATION
JAMES L. LIGHTSEY, DIRECTOR, OFFICE OF COMMUNITY AND CONGRESSIONAL RELATIONS
FREDERICK J. ZIRKEL, DEPUTY COMPTROLLER
JOHN HOKANSON, CHIEF, SUBSIDY NEED DIVISION

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. We will come to order.

Today we have the privilege of hearing the Civil Aeronautics Board. Marvin Cohen, the chairman, is appearing before us.

Mr. Cohen, welcome. If you will introduce your colleagues and summarize your statement, touching on the highlights, I can assure you it will be printed in full in the record. Then we can leave a little bit more time for questions and answers.

INTRODUCTION OF ASSOCIATES

Mr. COHEN. Thank you very much, Mr. Chairman. It's a pleasure to be here with you.

I have brought with me at the table today one of our members, the member with the greatest seniority on the Board and the most experience, Elizabeth Bailey, to my immediate right and your left. Next to her is Fred Zirkel, who is our Deputy Comptroller. At the far end of the table is Jim Lightsey, the Director of our Office of Community and Congressional Relations. To my left beyond the court reporter, David Kirstein, the General Counsel of the Civil Aeronautics Board; Barbara

Clark, the Director of our largest bureau, the Bureau of Domestic Aviation; and John Hokanson, who is the Chief of the Subsidy Need Division of the Bureau of Domestic Aviation.

Mr. Chairman, I will just try to highlight and try to be as brief as I can. I'm never as brief as I want to be.

PAYMENTS TO AIR CARRIERS

Our total budget request for 1982 is $87.8 million. This is a reduction of $55.8 million from our 1981 estimates. The first area I will mention is our "Payments to air carriers" appropriation.

We now pay subsidy to air carriers under sections 406 and 419 of the Federal Aviation Act. Under the current law, the 406 program, which utilizes most of the money that is spent for payments to air carriers, and most of our budget as a matter of fact, is scheduled to terminate on January 1, 1986. The newer subsidy program, section 419, is scheduled to continue through October 1988.

We are requesting for fiscal year 1982 a revised total of $58 million total air service subsidy. This is a significant drop from the $114.2 million estimate for 1981. That $114.2 million includes our supplemental request of $27.9 million for 1981.

406 AND 419 SUBSIDY

The reason for the large reduction, about a 50-percent reduction, is the President's proposal to terminate the section 406 subsidy program 5 years ahead of schedule, at the end of fiscal year 1981.

The gross savings from the termination of the section 406 program, in fiscal year 1982 would be $88.5 million, with a total savings of almost $210 million over the next 5-year period.

Part of that $88.5 million will be offset, however, by an increase in the newer 419 program of $32.9 million—$10.9 million of this is for Alaska service and $22 million is to allow for a smooth transition, if the 406 program is terminated at the end of the year, to the 419 program for the cities that are involved.

CAB believes that early termination of the section 406 program as proposed by the President and the administration is a sound proposal, and we support it. We can assure the committee that essential air service to communities affected by the accelerated termination of 406 subsidy will not be lost.

SERVICE TO SMALL COMMUNITIES

This proposal would replace a costly subsidy program which is not well suited to small community service with a much more efficient program at a cost of about 50 percent of the current cost at those cities which will continue to need subsidy. Many cities now receiving subsidy will, we believe, get new service without having to be subsidized at all when the 406 program is terminated.

We have had about 2 years' experience now with our new subsidy program under section 419. Under that program, when a certificated carrier wants to leave a city and they are the last carrier serving that city, we have the power to hold in the carrier if necessary until essential air

service is being provided there. Usually we have seen service by a certificated carrier replaced with service from a commuter carrier, a twin-engine turboprop.

Senator ANDREWS. When you hold it in, do you call that a 406 subsidy still, or does it revert to a 419?

Mr. COHEN. If it is a 406 carrier, it is paid under 406 during the hold-in period.

Senator ANDREWS. But by deleting all of 406 you wouldn't have any subsidy to pay to a 406 carrier.

Mr. COHEN. That is the additional $22 million we're asking for. We can pay it under 419. United, for instance, is not a subsidized carrier. When they were leaving some of the small cities, we held them in and for that hold-in we paid them under section 419. It is only when it is already a subsidized carrier that we expend 406 funds.

Senator ANDREWS. Holding them in like that, you can use those 419 payments for only a limited period of time, I understand.

Mr. COHEN. It is 30 days at a time, and we have to make a new decision every 30 days. With a trunk carrier we are limited to a 1-year period. We have no limit on nontrunk carriers, if I'm not mistaken. There is no time limit on how long we can hold them in.

Senator ANDREWS. I raise the question because with the 406 program being terminated, I wondered how much overlapping you would have and how much temptation you would have to carry out, in effect, a subsidy to a 406-type airline using 419 funds, because they are still needed to stay in that area.

Mr. COHEN. We have successfully assisted a transition at some 84 small communities. Mr. Lightsey's program, in the Office of Congressional and Community Relations, has a number of people out in the field who work closely with communities and with carriers. Our efforts for the last 2 years have been to try to find new carriers who want to serve the community. In fact, the orientation of our whole program is premised on a fundamental belief that a carrier that has to make its living with service to a community is going to give better service than a carrier who is there on a subsidized basis.

We have been giving subsidy where it's necessary in order to have the service, but we have been trying to encourage self-sufficient air service all over the country.

COMMUTER CARRIERS

We have no particular incentive to hold in a 406 carrier if we can find commuter carriers or if commuter carriers come in and propose to provide service to replace the 406 carrier that is leaving.

If we terminate the program, we need some funds—the $22 million—in case there are not enough commuters to come in right away. For example, certain areas now served by Republic, which includes the old North Central system, received good service under 406. If Republic leaves a number of these communities at the present time, we are concerned that there are not enough commuter operators, enough airplanes, to immediately come in and replace the old North Central, now Republic, service and provide essential air service. We think it will take a little time for that to happen.

The $22 million in 419 will allow us to pay for the hold-in while this transition takes place; but our experience has been that once that process starts, with very rare exceptions, new commuter carriers do appear.

There are over 300 commuter carriers in this country now.

Ms. BAILEY. And small certificated carriers like Air Wisconsin and Air Midwest that used to be small commuters have grown much larger.

Senator ANDREWS. I just had lunch with people from the League of Cities, and one of their representatives is a past member of the commission in Fargo and also happens to work for Republic Air Lines. I should have had him follow me in here.

In this instance, North Dakota is not a good example. There is the case of Jamestown, N. Dak., which was being served by Northwest. Northwest, a nonsubsidized airline, caught so much flak during the strike that the city or State decided they would rather have somebody else on the block. You helped arrange to get Air Wisconsin in, and now Air Wisconsin is leaving, so we've got the city of Jamestown, a growing city, a very viable city, with a substitute carrier leaving and no substitute for the substitute.

Mr. COHEN. We do have the power, of course, and we will hold Air Wisconsin in at Jamestown until a replacement is found. For example, we've had an expression of interest from Big Sky.

Senator ANDREWS. Big Sky does not want to fly into Minneapolis, as I understand it. Jamestown's concern is that sometimes when they get away from the bigger unsubsidized airlines and think they're going to get better and more frequent service, it turns out that they do not, in fact, get better and more frequent service.

Mr. COHEN. They had it from Air Wisconsin for quite a while, for a year or more, maybe Jim or Barbara knows more of the details—but perhaps Air Wisconsin found the traffic levels weren't enough to support the service levels. For a while it was working very well.

Senator ANDREWS. It was great. The first couple of days were fantastic, but after the wedding, the honeymoon kind of went sour. The romance has ended now, as I understand it.

Mr. COHEN. It only works if people show up to fly on the airplane.

Senator ANDREWS. I know, and somehow or other they preferred to fly on those bigger airplanes than the smaller airplanes, I guess. However, the new replacement for the replacement will still be subsidized out of 419 funds.

Mr. COHEN. That is correct.

Ms. CLARK. Our budget estimate of the hold-in money is based on about 35 to 40 points, and we estimate an average hold-in time of a year. We think we can do two-thirds of them in the first year and the other one-third in the second year. We estimate that some of them will be a little bit longer than a year and some a little bit less than a year.

HOLD-INS

Senator ANDREWS. You anticipated my next question, which was going to be what is the average length of hold-in that you are planning in years? It's a little longer than I would have thought.

Mr. COHEN. That would be because we are dealing with a fairly sizable number of points all at once. We have been functioning now for the past 2 years with a gradual change where the holding time I'm sure has averaged less than a year.

Mr. LIGHTSEY. In addition, we are holding carriers in a part of the country where there has not been a proliferation of commuter airlines. If we were in the Northeast, it would be a different story; but we are in many parts of the country where, at this time, there are no commuters available.

Senator ANDREWS. All the commuter airlines in the Northeast have now turned into trunk airlines.

Mr. COHEN. We are seeing things like Scheduled Skyways operating in Arkansas that has now spread into the South and to the East, and has become more of a regional carrier than localized. This is a commuter carrier that has been around for a number of years.

Senator ANDREWS. Well, I'm sorry for the interruption. Go ahead.

Mr. HOKANSON. On the hold-in time, one of the reasons we are projecting quite a long time is that the points we are talking about are fairly large and may strain even the existing commuters there. They might have to upgrade to the new equipment and go through all the training and other things that are a part of that.

We project enough time to be sure they can come up with the right kind of equipment and the right kind of service.

Mr. COHEN. We are dealing here with about 146 cities and towns served under section 406. We have already received notices on 20 of those cities that the carrier is leaving and are in the process now of dealing with those notices, looking for replacements, and deciding whether or not to hold in.

We assumed that of those 146, there are 20 that we are now processing and maybe about 36 more that may require subsidy. We are looking at enplanements. When a city enplanes less than 40 passengers a day, we assume that it may need subsidy. Sometimes it will and sometimes it won't.

Senator ANDREWS. You are looking at more hold-ins and more airlines leaving cities and more of this type stuff than we've ever seen before; is that not correct?

Mr. COHEN. No; Mr. Chairman, we have already processed 84 situations where an airline has left a small community. We are looking here to about 76 more.

Senator ANDREWS. Your load then right now is not as heavy as it has ever been? I thought you said a minute ago that your load of this type of thing was extremely heavy, and a number of these airlines are planning on leaving these smaller communities, and that's why your challenge for these funds was greater.

Mr. COHEN. I think I have probably confused the question. Prior to deregulation we had not had carriers leaving communities and substitutions occurring of this nature. The system was not set up for that.

Senator ANDREWS. Are you saying that deregulation is the causative agent for all of this?

Ms. BAILEY. A lot of desertions; yes.

Mr. COHEN. Part of the idea of deregulation was that under the regulated system, under the old 406 program, the Government was holding in large jet aircraft on uneconomic service for many small communities. These would be better and more efficiently served and receive more frequent service with small aircraft, in many instances without subsidy.

It was discussed when the bill was considered in committee, and I think it was assumed by all parties, that there would be transfers in small communities from jet or large airplane service once or twice a day to commuter-type service. That is, twin turboprop service at cities who have 20, 40, or 60 people a day, with more frequent service.

The experience with commuter service up until the passage of the Airline Deregulation Act had indicated that this was a welcome change in a lot of communities. I can give you examples, such as Salisbury, Md., and a number of others.

What was expected has happened and, during the period from the passage of the act in October 1978 until now, it has happened in 84 communities. Thus, in the past 2 years we have had this heavy load of 84 communities.

If the President's proposal to end the 406 program at the end of this fiscal year occurs, then we will see the same thing happening at another 76 to 96 communities, depending on whether the 20 are in the 84 number are not. That would be possibly 96 communities more on top of the 84 that we have already had. That may happen.

Senator ANDREWS. Are these 175 communities more than you anticipated?

Mr. COHEN. I don't believe so. It's a matter of enplanements. When a city enplanes more than 100 people a day, we can probably expect the local service carrier that now serves it to remain, or another carrier of like size will be there.

Between 40 and 100 passengers a day, we think that commuter service with twin turboprop or dash-seven-type equipment could come in and operate without any subsidy. Below 40 passengers a day, that service may require subsidy.

That's how we have divided it into these three groups. Of the 146 cities that are still under section 406, 20 are being processed, 36 more may well require a subsidy, and about 40 may have a transfer to commuter-type service that won't require subsidy. We think there will be about 50 points where the carrier will stay, out of the 146. That means that in 50 of these points, we think the existing carrier will probably have the economic incentive to remain.

Senator ANDREWS. Do you think that these smaller towns are happier now being served with these smaller carriers than they were by being served with the major carriers?

Mr. COHEN. Many of them are, but some are not. Jamestown was until this most recent problem of having a change of carriers.

Of the 84 small communities where this change has taken place, 58 of those, the majority of them, now have more frequent service than they had previously.

REPORTS ON SERVICE

Senator ANDREWS. Are they happier with that more frequent service? Do you get letters to that effect?

Mr. COHEN. You have already received all of the bad reports.

Senator ANDREWS. We always get the bad ones.

Mr. COHEN. The best I can do is show you a packet of newsclips we put together. We get newsclips everyday. That is one of the things I started when I came in as chairman. I wanted a clipping service from all over the country. I can't travel all over, but I want to get some idea of what's happening in air service.

I have seen in your area the newspapers' concerns about what is happening generally with Republic starting to pull out of points. We read the editorials and the articles. I try to keep up with all of them. It's tough, but we read through them everyday.

We have culled out a group of clippings of favorable editorials and articles that I would like to leave with you. We could clip out all the unfavorable, too, but I'm sure you already get those. I thought you might not see these.

FREQUENCY OF SERVICE

Senator ANDREWS. We don't want that. We just want from you, as Chairman of the Commission, your seat-of-the-pants estimate on what percentage of these towns are happier with the service now than the service before.

Mr. COHEN. I think the majority of them are happier. I think the program is working well. There are some that are unhappy, and there is as much diversity of opinion out there as there is diversity in our country; but, as I said, I think that the majority of them are happier.

I might ask Mr. Lightsey, who is in touch even more closely.

Senator ANDREWS. He gets all the hassle from the Hill.

Mr. COHEN. No; he has people out in the field. We have how many field offices?

Mr. LIGHTSEY. We have six.

Mr. COHEN. In two of them we have two people, and in the other four we have one person each; but they manage to get to every community in the country that has air service problems and work with the local people there on those problems. We stay very closely in touch with what is going on in this program because it has the highest priority in our agency.

Do you want to comment?

Mr. LIGHTSEY. Mr. Chairman, I would say generally that in the business community they resist us the most, but it's also the first segment of the community to come around and acknowledge the fact that the greater frequency accommodates them more. I think it is an education and a transition process, especially when you have had a DC-9 or a 737. It probably takes them 8 months to 1 year for the community to say: We acknowledge at this point that we are better off.

I would certainly concur with the chairman that the majority of communities that have gone through this transition acknowledge they are better off. Now the commuters are starting to capture some of the discretionary travelers, which is helping them financially.

Mr. COHEN. Do you want me to proceed?
Senator ANDREWS. Go ahead.

SALARIES AND EXPENSES

Mr. COHEN. I think that fairly well covers the 406 and 419 changes.

In terms of operating expenses and personnel, we are requesting $29.8 million to cover our 603 positions and our operating expenses in fiscal year 1982. This is 53 positions lower than our 1981 level. It means that by the end of 1982 we will have cut, since the Airline Deregulation Act passed, 227 positions or 30 percent of our staff.

Our budget for operating expenses does go up in 1982 over 1981 because our rent has doubled, unfortunately, and there is nothing we can do about it. That is in GSA's hands. However, we will be trying to reduce the amount of space that we rent.

The President's budget reform plan did entail some reductions of our original 1981 position ceiling and our 1982 position ceiling. We think we can accomplish these through attrition without having any reductions in force for our personnel.

This will accelerate our withdrawal from involvement in certain consumer activities. It will also accelerate our reduction of certain licensing, domestic licensing, activities which we are already in the process of reducing, since we lose all licensing authority at the end of this calendar year.

DOMESTIC AUTHORITY

Rather than spend a lot of time going program by program, I will just mention, since we have talked about subsidy in the domestic area, that we have responsibilities to determine and evaluate a carrier's initial and continuing fitness, which will take some time and resources. In Ms. Clark's bureau, we continue to watch what happens with fares and rates. Our authority in that area will continue until the end of calendar year 1982.

We have given the carriers about 30 percent upward flexibility and an unlimited downward flexibility in fare-setting. However, we are monitoring this closely as this is a transition function moving toward total pricing freedom for the airlines at the end of 1982.

We do have certain antitrust responsibilities to determine whether agreements made by and among airlines, or people related and closely involved in the transportation business, should be immunized from the antitrust laws. Under the act, we are reviewing some existing agreements that had been immunized to determine whether the immunity should be continued in a deregulated atmosphere for aviation. The new law gives that a new standard for that review.

Under those responsibilities, we have a major investigation underway into the marketing of airline tickets. It is called the competitive marketing investigation and is going on before an administrative law judge right now.

We also have been concerned with any bottlenecks that might appear in the system to impede competition. We look closely at airport access problems, problems of new airlines obtaining access at crowded airports. We are continuing to work in that area.

SMALL COMMUNITIES AND INTERNATIONAL AVIATION

I have discussed pretty well, I think, the small community air service program. Another major high priority for us is in international aviation where we work closely with the Department of Transportation and the Department of State in negotiating with other governments when aviation problems arise. Also, in seeking to obtain liberal bilateral agreements with other countries in the world, pursuant to the mandate of the International Air Transportation Competition Act which was passed in early 1980.

That act also gives us responsibility to take proper steps to retaliate in the event agreements are breached. It gives us certain powers if a carrier complains to us of problems they are having in other countries.

We are starting to spend some time dealing with those complaints, which involves evaluating the complaint, deciding whether the complaint is valid, and then working out a process for trying to solve the problem.

We still continue to have licensing responsibilities and pricing responsibilities in international aviation where, unlike the domestic scene, we may be limited in many of our relations with other governments to one or two airlines for the service. We have to do carrier selection, and pricing is not as open to the marketplace except in about 20 liberal bilateral agreements that we have worked out over the past 3 years.

CONSUMER PROTECTION

We have ongoing responsibilities in consumer protection. In that area, we have shifted focus over the past 2 years to look to the consumer, to the airlines, and to State and local governments to try to work out consumer problems as much as possible in an effort to limit the Federal Government's role in consumer protection.

We have given the carriers some leeway to deal with denied boarding compensation and smoking rule problems. We are looking to shift emphasis away from tariffs toward contractual agreements. Instead of having a huge pile of tariffs that govern the passenger's relation to the airline with provisions that the passengers never know about, we shift more and more to a contractual relationship based on a contract that is known to the passenger. We are reviewing tariffs to see if in any of those revisions the tariff provisions ought to be stated in rules or whether everything should be left to the contract relationship.

We have seen consumer complaints drop off by some 30 percent this year compared to last year, and we expect that downward trend in complaints to continue. We expect to see a more accelerated reduction in our consumer protection staff over the next couple of years.

ECONOMIC ANALYSIS

The final program I want to mention is our economic analysis and regulatory information program. This is the program that maintains the financial and statistical information base to support the Board's programs and regulatory responsibilities. It gathers data for the report that is due to Congress before the sunset of the CAB.

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That staff also provides us with economic analysis throughout our decisionmaking process. As we proceed through this transition period, this analysis is invaluable in assessing the economic effects our proposed actions might have on the airlines.

We have been in the process of a zero-based review of our data needs that has led to about a 50-percent overall reduction in the reporting burden for the airlines. For the smaller airlines, it has meant a 62-percent reporting reduction. We will be able to also cut that program in terms of staff somewhat over the next couple of years.

I think that covers the range of what we do, and I would be happy to answer any questions.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement and biographical sketches will be inserted in the record at this point.

[The statement and biographical sketches follow:]

STATEMENT OF MARVIN S. COHEN

CHAIRMAN ANDREWS AND MEMBERS OF THE SUBCOMITTEE: I APPRECIATE THE OPPORTUNITY TO MEET WITH YOU THIS AFTERNOON TO DISCUSS THE BOARD'S PROGRESS TOWARDS A DEREGULATED, COMPETITIVE AIR TRANSPORTATION SYSTEM. MY REMARKS WILL FOCUS ON THE BOARD'S FY 1982 BUDGET REQUEST AS REVISED BY PRESIDENT REAGAN'S BUDGET REFORM PLAN. I BELIEVE THAT YOU AND MEMBERS OF THIS SUBCOMMITTEE HAVE RECEIVED, IN ADVANCE, A BRIEF ANALYSIS OF THE PROPOSED REVISIONS AND THEIR IMPACT ON OUR PROGRAMS. WITH THE COMMITTEE'S PERMISSION, WE CAN MAKE THIS ANALYSIS AVAILABLE FOR PLACING IN THE RECORD AFTER MY REMARKS.

THE BOARD'S TOTAL BUDGET REQUEST FOR FISCAL 1982 IS $87.8 MILLION--A REDUCTION OF $55.8 MILLION FROM OUR 1981 ESTIMATES.

THE FIRST AREA I WILL ADDRESS IS OUR "PAYMENTS TO AIR CARRIERS" APPROPRIATION. SUBSIDY IS PAID BY THE BOARD UNDER SECTIONS 406 AND 419 OF THE FAA ACT. THE SECTION 406 PROGRAM WAS INITIATED OVER 40 YEARS AGO TO ENSURE THE DEVELOPMENT OF A DOMESTIC AIR TRANSPORTATION NETWORK. WHILE AT ONE TIME VIRTUALLY ALL CARRIERS RECEIVED SUBSIDY UNDER THIS PROGRAM, TODAY ONLY A HANDFUL OF CARRIERS CONTINUE TO RECEIVE THIS SUBSIDY. THE SECTION 419 PROGRAM WAS INCLUDED IN THE AIRLINE DEREGULATION ACT OF 1978 SO THAT CERTAIN ELIGIBLE COMMUNITIES COULD MAINTAIN AIR SERVICE AS THE INDUSTRY MOVED FROM A REGULATED TO A DEREGULATED, COMPETITIVE ENVIRONMENT. AS LEGISLATION NOW STANDS, THE SECTION 406 PROGRAM WILL TERMINATE ON JANUARY 1, 1986; SECTION 419 WILL CONTINUE UNTIL OCTOBER 1988.

FOR FY 1982, WE ARE REQUESTING A REVISED TOTAL OF $58.0 MILLION FOR AIR SERVICE SUBSIDY. THIS IS A SIGNIFICANT DROP FROM THE $114.2 MILLION ESTIMATED FOR 1981, WHICH INCLUDES A SUPPLEMENTAL REQUEST OF $27.9 MILLION NOW AWAITING CONGRESSIONAL APPROVAL.

THIS REDUCTION OF ALMOST 50 PER CENT IN OUR TOTAL SUBSIDY REQUIREMENT STEMS FROM THE PRESIDENT'S PROPOSAL TO TERMINATE THE SECTION 406 SUBSIDY PROGRAM FIVE YEARS AHEAD OF SCHEDULE. THE GROSS SAVINGS OF THIS PROPOSAL IN FY 1982 WILL BE $88.5 MILLION, WITH A TOTAL SAVINGS OF ALMOST $210 MILLION OVER THE NEXT FIVE YEARS.

HOWEVER, PART OF THE 1982 SECTION 406 REDUCTION WILL BE OFFSET BY AN ADDITIONAL $32.9 MILLION THAT THE PRESIDENT RECOMMENDS BE PROVIDED FOR OUR

SECTION 419 PROGRAM FOR SMALL COMMUNITIES. $10.9 MILLION OF THIS ADDITIONAL AMOUNT WILL BE TO PROVIDE CONTINUED SUBSIDIZED SERVICE TO ALASKAN POINTS. THE REMAINING INCREASE--$22 MILLION-- WILL ENABLE SERVICE TO CONTINUE AT POINTS IN THE LOWER 48 STATES AFFECTED BY THE ELIMINATION OF SECTION 406 UNTIL REPLACEMENT CARRIERS ARE FOUND. UNDER THE PROPOSAL NO CARRIER WILL BE ABLE TO RECEIVE MORE IN 419 SUBSIDY THAN WAS PAID FOR THAT COMMUNITY UNDER 406.

WE BELIEVE THAT THE EARLY TERMINATION OF THE SECTION 406 PROGRAM IS A SOUND PROPOSAL. FIRST, I CAN ASSURE THIS SUBCOMMITTEE THAT ESSENTIAL AIR SERVICE TO COMMUNITIES AFFECTED BY THE ACCELERATED TERMINATION OF SECTION 406 SUBSIDY WILL NOT BE LOST. SECOND, THE PROPOSAL ELIMINATES A COSTLY SUBSIDY PROGRAM AND REPLACES IT WITH ONE THAT IS A MORE EFFECTIVE MEANS OF SUBSIDIZING AIR SERVICE. WE HAVE FOUND THAT WHERE SUBSIDY UNDER SECTION 419 IS NECESSARY TO MAINTAIN AIR SERVICE, THE COST IS ABOUT ONE HALF THE AMOUNT THAT WOULD BE NECESSARY UNDER THE OLD 406 PROGRAM.

OUR EXPERIENCE WITH THE 419 PROGRAM INDICATES THAT THERE IS A GROWING NETWORK OF SMALLER CARRIERS WILLING TO PROVIDE SERVICE TO MANY OF THE COMMUNITIES WHICH LOST SERVICE FROM THE LARGER CARRIERS. THESE COMMUTERS AND SMALL CERTIFICATED CARRIERS WELCOME THIS OPPORTUNITY TO SERVE WITH THEIR SMALLER, BUT MORE EFFICIENT AIRCRAFT, GIVING MANY CITIES GREATER FREQUENCIES AND MORE CONVENIENT SCHEDULES. WE HAVE SEEN IT HAPPEN AT 84 SMALL COMMUNITIES SINCE 1978.

OF COURSE, SOME COMMUNITIES ARE NOT TOTALLY HAPPY WITH THIS SHIFT TO SMALLER AIRCRAFT, BUT THE TRAFFIC AT MOST OF THEM HAS RESPONDED TO THE INCREASED FREQUENCIES AND TO THE GENERALLY IMPROVED SERVICE THAT SMALL CARRIERS ARE STRIVING TO PROVIDE. WE EXPECT THAT CONSUMER ACCEPTANCE OF COMMUTER SERVICE WILL BE FURTHER ENHANCED AS CARRIERS ACQUIRE LARGER, MORE COMFORTABLE AIRCRAFT.

WHILE WE AT THE BOARD SUPPORT THE EARLY TERMINATION OF SECTION 406, I WANT TO EMPHASIZE THAT THIS PROPOSAL--AND THE POTENTIAL SAVINGS IT REPRESENTS--CAN ONLY BE EFFECTED BY LEGISLATIVE MANDATE. WE EXPECT THAT THE NECESSARY CHANGES WILL BE PRESENTED TO YOU SHORTLY BY THE PRESIDENT FOR YOUR CONSIDERATION.

I WOULD NOW LIKE TO TURN YOUR ATTENTION TO OUR $29.8 MILLION REQUEST TO COVER THE BOARD'S 603 POSITIONS AND OPERATING EXPENSES IN FY 1982. THIS STAFF LEVEL IS 53 POSITIONS LOWER THAN OUR REVISED 1981 LEVEL, AND IN TOTAL, BY THE

END OF 1982 WE WILL HAVE CUT 227 POSITIONS--ABOUT 30 PER CENT--SINCE OCTOBER 1978, WHEN THE ADA WAS SIGNED INTO LAW.

OUR 1982 ESTIMATE FOR SALARIES AND EXPENSES IS $454 THOUSAND MORE THAN THE ESTIMATED NEED--INCLUDING A SUBSTANTIALLY REDUCED PAY RAISE SUPPLEMENTAL--FOR FY 1981. THIS HIGHER AMOUNT DOES NOT STEM FROM ANY EXPANDED PROGRAM ACTIVITY ON OUR PART, BUT FROM SOME UNCONTROLLABLE INCREASES IN NONPERSONNEL-SERVICES ITEMS, INCLUDING A DIFFICULT-TO-DIGEST DOUBLING OF THE $1.3 MILLION ANNUAL BILL WE PAY TO GSA FOR RENTAL OF OFFICE SPACE. NEEDLESS TO SAY, WE WILL BE LOOKING AT WAYS TO REDUCE THE SPACE WE RENT.

ON THE OTHER HAND, WE HAVE CUT THE 1982 DOLLAR REQUIREMENT FOR PERSONNEL COMPENSATION AND BENEFITS BY OVER $1.3 MILLION DOLLARS. THIS IS A REDUCTION IN OUR APPROPRIATION COMMENSURATE WITH THE ELIMINATION OF 53 POSITIONS FROM OUR AUTHORIZED LEVEL FOR FY 1981.

THE PRESIDENT'S BUDGET REFORM PLAN REDUCED OUR ORIGINAL 1981 POSITION CEILING FROM 690 TO 656, AND OUR 1982 CEILING HAS BEEN CHANGED FROM 655 TO 603. WE BELIEVE THAT WE CAN ACCOMPLISH THESE REDUCTIONS THROUGH ATTRITION. WE PREFER THIS COURSE OF ACTION SINCE IT PERMITS US TO KEEP THE COMMITMENT WE HAVE MADE TO OUR EMPLOYEES TO DEAL WITH OUR REDUCTIONS THROUGH THIS SUNSET PROCESS IN A HUMANE WAY.

HOWEVER, THIS LOWER LEVEL WILL ACCELERATE OUR WITHDRAWAL FROM INVOLVEMENT IN CERTAIN CONSUMER ACTIVITIES, AS WELL AS FROM CERTAIN OTHER AREAS OF DOMESTIC LICENSING OVER WHICH THE BOARD LOSES IT AUTHORITY AT THE END OF CALENDAR YEAR 1981. THE PROPOSED EARLY TERMINATION OF THE SECTION 406 PROGRAM WILL NOT AFFECT OUR RESOURCES, SINCE ANY STAFF DEVOTED TO THE 406 PROGRAM WILL BE NEEDED TO PICK UP THE ADDITIONAL WORK IN THE 419 AREA.

I WILL OUTLINE NOW--PROGRAM BY PROGRAM--WHAT WE SEE AS THE LEVEL OF OUR CONTINUING INVOLVEMENT DURING 1982 AND THE RESOURCES WE WILL NEED TO SUPPORT OUR EFFORTS.

DOMESTIC COMPETITION, OPERATING AUTHORITY AND PRICING

OUR GOAL IN THIS PROGRAM IS TO COMPLETE THE DEREGULATION OF THE DOMESTIC AIR TRANSPORTATION SYSTEM. IN THE SCHEDULED SERVICE ACTIVITY, WE HAVE LONG SINCE REDUCED MOST BARRIERS TO ROUTE ENTRY IN ANTICIPATION OF DECEMBER 31, 1981. AFTER THIS DATE, OF COURSE, THE BOARD WILL LOSE THE AUTHORITY TO ISSUE LICENSES ON THE BASIS OF PUBLIC CONVENIENCE AND NECESSITY. OUR REMAINING RESPONSIBILITY IN THIS AREA--THE DETERMINATION OF CARRIERS' INITIAL AND CONTINUING FITNESS--

WILL BE CARRIED OUT BY A GREATLY REDUCED STAFF, AIDED BY A COMPUTERIZED MONITORING SYSTEM. SIMILARLY, THE ARRAY OF SIMPLIFIED PROCEDURES WE WILL HAVE IN PLACE BY 1982 REGARDING CHARTER AND ALL-CARGO CARRIERS, AIR FREIGHT FORWARDERS AND AIR TAXIS WILL ALLOW US TO MAKE THE SAME DEGREE OF PERSONNEL CUTBACKS IN OUR CHARTER AND SPECIAL SERVICES ACTIVITY.

IN THE FARE AND RATE REGULATION AREA, WE HAVE ALSO REDUCED STAFF LEVELS. DURING 1980, WE PERMITTED CARRIERS MORE PRICING FREEDOM, WHICH SHOULD SERVE AS A DRESS REHERSAL FOR TOTAL FARE DEREGULATION IN 1983. OUR ROLE STILL INCLUDES THE PROCESSING OF TARIFF FILINGS -- WHICH, IRONICALLY, KEEP INCREASING AS AIRLINES JOCKEY FOR THE BEST FARE POSITIONS--MAKING ADDITIONAL ADJUSTMENTS IN THE STANDARD INDUSTRY FARE LEVEL, EVALUATING ALL NEW PRICING SCHEMES, AND MONITORING CARRIERS' PRICING BEHAVIOR.

ALTHOUGH WE WILL REDUCE THE STAFF INVOLVED IN THE MAINTENANCE OF COMPETITION, WE STILL HAVE MUCH TO DO IN THIS AREA. THE ADA GIVES US A CLEAR MANDATE TO ENFORCE ANTI-TRUST LAWS AND TO REVIEW INDUSTRY AGREEMENTS TO DETERMINE WHETHER THEY ARE ANTI-COMPETITIVE; AND, IF SO, WHETHER THEY MEET SERIOUS TRANSPORTATION NEEDS OR PROVIDE IMPORTANT PUBLIC BENEFITS WHICH CANNOT BE SECURED BY REASONABLY AVAILABLE ALTERNATIVES HAVING MATERIALLY LESS ANTI-COMPETITIVE EFFECTS. OUR AREAS OF CONCENTRATION INCLUDE THE CURRENT INVESTIGATION INTO THE MARKETING OF AIRLINE TICKETS. WE EXPECT TO COMMIT CONSIDERABLE RESOURCES TO THIS INVESTIGATION WELL INTO 1982. WE HAVE ALREADY WITHDRAWN ANTI-TRUST IMMUNITY FROM FIXED-RATE TRAVEL AGENT COMMISSION AGREEMENTS IN ADDITION, WE ARE VERY CONCERNED THAT CURRENT ACCESS PROBLEMS AT SOME AIRPORTS MAY IMPAIR COMPETITION BY ARBITRARILY LIMITING OR PREVENTING EXISTING CARRIERS OR NEW ENTRANTS FROM EXPANDING INTO NEW MARKETS. THE REVIEW WE HAVE BEGUN IN THIS AREA WILL ALSO RECEIVE PRIME EMPHASIS. FINALLY, WE WILL STILL REQUIRE THE RESOURCES TO GIVE FULL ADMINISTRATIVE TREATMENT TO FUTURE, CONTROVERSIAL MERGER CASES.

IN SUM, THIS REDUCED LEVEL OF CONTINUING INVOLVEMENT IN OUR DOMESTIC PROGRAM WILL ENABLE US TO CUT 29 MORE POSITIONS FROM THE 1981 TOTAL OF 122. THIS WILL RESULT IN AN ON-BOARD STRENGTH OF 93 FOR 1982.

SMALL COMMUNITY AIR SERVICE

AT SMALL COMMUNITIES WE ARE WITNESSING A CHANGE IN SERVICE PATTERNS WHICH IS HIGHLY POSITIVE. PRIOR TO PASSAGE OF THE ADA, MANY IF NOT MOST OF THESE POINTS WERE SERVED BY HEAVILY SUBSIDIZED REGIONAL CARRIERS FLYING LARGE

AIRCRAFT. OFTEN THE NUMBER OF FREQUENCIES PROVIDED BY THOSE CARRIERS TO A HUB AIRPORT WERE MINIMAL AND POORLY TIMED. IN THE PAST TWO YEARS, WE HAVE ALLOWED COMMUTERS AND SMALL CERTIFICATED CARRIERS TO REPLACE LARGE CARRIERS AT 84 COMMUNITIES. ALTHOUGH 34 OF THESE CITIES REQUIRED FEDERAL ASSISTANCE, THE SECTION 419 SUBSIDY IS APPROXIMATELY ONE-HALF WHAT IT WOULD HAVE BEEN UNDER THE 406 PROGRAM. IN THE LAST TWO YEARS WE HAVE OBSERVED THAT, AS COMMUTER CARRIERS, WITH SMALLER, MORE FUEL-EFFICIENT AIRCRAFT, HAVE REPLACED THE LARGER CARRIERS, 58 OF THE COMMUNITIES HAD INCREASES IN THE NUMBER OF FLIGHTS. IN ALL CASES, WE MONITOR LOAD FACTORS TO ENSURE THAT THERE ARE ENOUGH SEATS AVAILABLE TO ACCOMMODATE THE DEMAND FOR AIR TRAVEL.

IN ADDITION TO ARRANGING REPLACEMENT SERVICE AT 84 CITIES, IN THE PAST FISCAL YEAR, WE HAVE COMPLETED ESSENTIAL AIR SERVICE (EAS) DETERMINATIONS FOR OVER 550 COMMUNITIES AND PROCESSED MORE THAN 200 NOTICES BY CARRIERS TO SUSPEND SERVICE, MOST OF WHICH HAVE NOT REQUIRED THE BOARD TO FIND A REPLACEMENT CARRIER. THERE HAVE ALSO BEEN APPEALS TO OUR EAS DETERMINATIONS. MANY HAVE BEEN RESOLVED, BUT SEVERAL REMAIN TO BE COMPLETED. AND, WE CONTINUE TO RECEIVE NOTICES TO TERMINATE SERVICE AS CARRIERS SEEK TO TRIM THEIR SYSTEMS OF UNPROFITABLE POINTS. A NUMBER OF THESE POINTS WILL REQUIRE SUBSIDY IN ORDER TO ASSURE THAT THEY RECEIVE ESSENTIAL AIR SERVICE. IN ADDITION TO THE 18 AWARDS OF SUBSIDY FOR SERVICE UNDER SECTION 419 AT 34 POINTS THAT WE HAVE ALREADY MADE, WE ESTIMATE THAT 80 ADDITIONAL COMMUNITIES-INCLUDING BETWEEN 40-50 POINTS FROM THE 406 TERMINATION--MAY REQUIRE SUCH ASSISTANCE OVER THE NEXT TWO YEARS.

I SHOULD POINT OUT THAT EACH CARRIER SELECTION CASE REQUIRING SUBSIDY INVOLVES AN INFORMAL PROCESS BY THE BOARD. WE MUST WORK WITH THE CARRIER APPLICANTS TO ARRIVE AT INDIVIDUALLY CALCULATED RATES AND THEN SELECT THE BEST SERVICE AT THE MOST REASONABLE COST. IN FACT, WE HAVE HAD TO REFINE OUR APPROACH BY INTRODUCING A PRENEGOTIATED RATE REQUIREMENT WITH EACH CARRIER-APPLICANT. THIS PROCEDURE SHOULD MINIMIZE SUBSIDY RATES, BUT IT ALSO INCREASES WORKLOAD. IN ADDITION, BY LAW, WE MUST RULE ON THE ELIGIBILITY FOR AIR SERVICE OF THE 137 COMMUNITIES THAT LOST CERTIFICATED SERVICE IN THE TEN YEARS PRECEDING PASSAGE OF THE ADA. AND FINALLY, THE ADA REQUIRES THAT WE ESTABLISH A SYSTEM TO DETERMINE AND CONTINUOUSLY MONITOR THE FITNESS OF ALL COMMUTER CARRIERS TO PROVIDE AIR TRANSPORTATION.

WHILE THE CHANGE IN THE LAW HAS BEEN POSITIVE OVERALL AND THE TRANSITION FROM A PROTECTED ENVIRONMENT TO A MORE COMPETITIVE ATMOSPHERE HAS, FOR THE

MOST PART, BEEN ORDERLY AND PREDICTABLE, THERE HAVE BEEN SOME DISLOCATIONS IN THE PROCESS. PRINCIPALLY, THESE ROUGH SPOTS HAVE OCCURRED AT MEDIUM-SIZED COMMUNITIES RATHER THAN AT THE SMALLER COMMUNITIES WHERE IT WAS FEARED THE GREATEST UPHEAVAL WOULD BE EXPERIENCED WHEN THE LAW CHANGED. THE AIRLINE DEREGULATION ACT INCLUDED CERTAIN SAFEGUARDS DESIGNED TO PROTECT SMALL COMMUNITIES FROM A DISRUPTION IN AIR SERVICE. MEDIUM-SIZED CITIES HAVE CONSIDERABLY LESS PROTECTION UNDER OUR ESSENTIAL AIR SERVICE PROGRAM. BECAUSE OF THIS, AND BECAUSE OF THE SHARP INCREASE IN THE PRICE OF FUEL AS WELL AS THE POOR STATE OF THE NATIONAL ECONOMY, THERE IS NO QUESTION THAT THE QUALITY AND QUANTITY OF SERVICE AT SEVERAL MID-SIZED CITIES HAVE DECLINED SINCE THE PASSAGE OF THE ADA. WE HAVE NOT BEEN INSENSITIVE TO THESE CHANGES. NOT LONG AFTER THE ACT WAS PASSED, THE BOARD ADOPTED A "TRANSITIONAL" POLICY TO PROTECT MEDIUM-SIZED CITIES FROM LARGE SERVICE REDUCTIONS. WITH THIS POLICY, WE HAVE GUARANTEED SOME COMMUNITIES UP TO 600 SEATS PER DAY UNTIL REPLACEMENT SERVICE WAS FOUND. THIS POLICY HAS WORKED WELL AND HAS BEEN REQUIRED AT ONLY SIX MEDIUM-SIZED CITIES. FURTHERMORE, THE BOARD RECENTLY HELD A SERIES OF MEETINGS THROUGHOUT THE COUNTRY TO AIR THE PROBLEMS THAT THESE COMMUNITIES HAVE EXPERIENCED. THE SESSIONS WERE WELL ATTENDED AND HIGHLY INFORMATIVE, AND WE RECEIVED A NUMBER OF THOUGHTFUL COMMENTS AND SUGGESTIONS WHICH WE ARE STUDYING. WE WILL CONTINUE TO LEND OUR INFORMAL ASSISTANCE TO THOSE COMMUNITIES IN THEIR EFFORTS TO IMPROVE AIR SERVICE.

THE RESOURCES WE CONTINUE TO COMMIT TO THE SMALL COMMUNITIES PROGRAM UNDERLINE ITS IMPORTANCE. IN 1982, WE HAD ORIGINALLY PROJECTED TO RAISE THE POSITION LEVEL TO 157, AN INCREASE OF THREE OVER 1981. THE ACCELERATED TERMINATION OF SECTION 406 WILL RESULT IN AN INTERNAL REALLOCATION OF STAFF TO HANDLE THE INCREASED WORKLOAD IN THE 419 PROGRAM. HENCE, OUR PROJECTED OVERALL RESOURCE LEVELS IN THIS PROGRAM WILL NOT BE MATERIALLY AFFECTED BY THE PRESIDENT'S CHANGE.

INTERNATIONAL AVIATION

OUR OBJECTIVE IN THIS PROGRAM IS TO CONTINUE TO PRESS VIGOROUSLY FOR GREATER COMPETITION IN INTERNATIONAL AVIATION IN ACCORDANCE WITH THE INTERNATIONAL AIR TRANSPORTATION COMPETITION ACT (IATCA). THIS ACT PASSED LAST YEAR, AND REQUIRES THE U.S. GOVERNMENT TO PROMOTE COMPETITION IN INTERNATIONAL AVIATION AGREEMENTS. OVER THE PAST TWO YEARS, WE HAVE BEEN SUCCESSFUL IN COMPLETING LIBERAL BILATERAL AGREEMENTS WITH NATIONS FROM NEARLY EVERY REGION OF

THE WORLD. BESIDES THE BENEFITS SUCH AGREEMENTS PROVIDE TO CONSUMERS, WE HAVE SEEN A TREND OF MORE TRAFFIC GROWTH BETWEEN COUNTRIES THAT EMPLOY COMPETITIVE POLICIES. IN CASES WHERE THE RIGHTS WE HAVE NEGOTIATED FOR OUR CARRIERS ARE NOT RECOGNIZED, WE ARE FULLY PREPARED TO REACT AND, IF NECESSARY, LIMIT SOME OF THE RIGHTS THAT WERE EXCHANGED. THE RETALIATION PROVISION OF IATCA GIVES THE BOARD THE DIRECT POWER TO TAKE SUCH ACTIONS.

ALTHOUGH THE ADA HAS PROVIDED THE IMPETUS TO DISPENSE WITH MANY ROUTINE PROCEDURES IN THE INTERNATIONAL AREA, OUR PROCOMPETITIVE EMPHASIS CONTINUES TO RESULT IN A STEADY WORKLOAD. THE OPENING UP OF MORE FOREIGN ROUTES PRODUCES A HEAVY NUMBER OF REQUESTS FOR CERTIFICATES AND EXEMPTIONS FROM A WIDER ARRAY OF CARRIERS. THE NEW INTERNATIONAL ACT HAS MANDATED THE ESTABLISHMENT OF A STANDARD FOREIGN FARE LEVEL, WHICH WILL REQUIRE CONSTANT ADJUSTMENTS AND MAINTENANCE. LIKE OUR EXPERIENCE ON THE DOMESTIC SIDE, EXPANDED PRICING FREEDOM MEANS A JUMP IN THE NUMBER OF TARIFFS THAT CARRIERS FILE. IN SPITE OF THIS UNABATED WORKLOAD, WE WILL BE ABLE--THROUGH ADDITIONAL STREAMLINING OF OUR ADMINISTRATIVE PROCEDURES--TO REDUCE POSITIONS FROM THE 1981 LEVEL OF 163 TO 157 FOR 1982.

CONSUMER PROTECTION

AS THE AIR TRANSPORT INDUSTRY BECOMES INCREASINGLY COMPETITIVE, WE HAVE BEGUN TO CHANGE OUR EMPHASIS IN THE CONSUMER PROGRAM. WE ARE ALLOWING CARRIERS TO EXPERIMENT WITH THEIR OWN METHODS OF DEALING WITH SUCH ISSUES AS DENIED BOARDING COMPENSATION AND NO-SMOKING RULES. WE SEE ONLY A FEW AREAS OF REMAINING ACTIVE INVOLVEMENT, INCLUDING THE IMPLEMENTATION OF THE CONTRACTUAL AGREEMENTS THAT WILL EVENTUALLY REPLACE TARIFFS AND THE ENFORCEMENT OF ESSENTIAL AIR SERVICE LEVELS GUARANTEED TO SMALL COMMUNITIES.

CONSUMER COMPLAINTS HAVE DROPPED OFF OVER 30 PERCENT FROM 1979. THIS DROP IS DEEPER THAN WE EXPECTED AND IS AT LEAST IN PART AN INDICATION OF THE SUCCESS OF OUR PUBLIC EDUCATION PROGRAM. WE FEEL THAT THE POPULAR FLY RIGHTS PAMPHLET, FOR EXAMPLE, DOES A GOOD JOB OF INFORMING CONSUMERS OF THEIR RIGHTS AND THE LEGITIMACY OF THEIR COMPLAINTS. WE ALSO BELIEVE THAT COMPETITION IS MAKING CARRIERS MORE RESPONSIVE TO CONSUMER NEEDS.

WE EXPECT THIS DOWNWARD TREND IN COMPLAINTS TO CONTINUE THROUGH 1982. WE WILL INCREASE OUR EMPHASIS ON PROVIDING STATE AND LOCAL CONSUMER AGENCIES WITH ASSISTANCE IN PREPARING FOR AN EXPANDED ROLE IN REPRESENTING PASSENGER INTERESTS AFTER WE HAVE SUNSET. COMPLAINTS STILL ADDRESSED TO THE BOARD

WILL BE HANDLED WITHIN THE LIMITATIONS OF A REDUCED STAFF, BUT OVERALL, WE WILL CONTINUE TO REDUCE FEDERAL INVOLVEMENT.

THIS IS OUR LEAST ESSENTIAL PROGRAM AND THE ADDITIONAL REDUCTIONS REQUIRED WILL BE ACCOMPLISHED BY CUTTING STAFF BY 16 POSITIONS FROM THE 1981 LEVEL OF 99. THIS WILL RESULT IN A REMAINING ON-BOARD STRENGTH OF 83.

ECONOMIC ANALYSIS AND REGULATORY INFORMATION

THE GOALS OF THIS PROGRAM ARE TO PROVIDE THE BOARD WITH AN ECONOMI BASIS FOR ASSESSING CURRENT REGULATORY POLICIES, GATHER DATA FOR THE 1984 REPORT TO CONGRESS, AND MAINTAIN A FINANCIAL AND STATISTICAL INFORMATION BASE TO SUPPORT THE BOARD'S PROGRAMS AND REGULATORY RESPONSIBILITIES. WE HAVE MADE STEADY PROGRESS SINCE THE ADA IN ADAPTING THIS PROGRAM TO OUR CHANGING REGULATORY ROLE. IN 1982, WE WILL BE DOWN TO 113 POSITIONS, A REDUCTION OF 37 PER CENT--67 POSITIONS--SINCE THE END OF FISCAL 1978.

OUR ECONOMIC ANALYSIS AREA PROVIDES FOR 29 POSITIONS IN 1982, A LEVEL WHICH WILL ENABLE US TO KEEP INTACT A NUCLEUS OF ANALYTICAL AND TECHNICAL SKILLS TO ASSESS THE IMPACT OF DEREGULATION ON OUR AIR TRANSPORTATION SYSTEM. WE ARE ALSO KEEPING IN MIND OUR OBLIGATION TO SUBMIT TO THE CONGRESS A COMPREHENSIVE REPORT ON DEREGULATION, A PRELIMINARY VERSION OF WHICH WE HOPE SOON TO HAVE READY.

LAST YEAR IN THE REGULATORY INFORMATION AREA, I REPORTED THAT WE WERE UNDERTAKING A ZERO-BASED REVIEW OF OUR CONTINUING DATA NEEDS. AS A RESULT OF THIS REVIEW, THE BOARD ADOPTED A PLAN THAT WILL GREATLY REDUCE THE AMOUNT AND FREQUENCY OF REPORTS AIRLINES ARE REQUIRED TO FILE. FOR THE SMALLEST NON-SUBSIDIZED CERTIFICATED CARRIERS, THIS WILL MEAN A 62 PERCENT REDUCTION IN REPORTING BURDEN. ON AVERAGE, CERTIFICATED CARRIERS WILL FILE ONLY HALF AS MANY REPORTS AS A RESULT OF THIS NEW POLICY. THESE REPORTING REDUCTIONS WILL ENABLE OUR REDUCED STAFF OF 84 TO HANDLE THE SURGE OF FILINGS RESULTING FROM THE INCREASE IN NEW ENTRANTS.

WE WILL STILL REQUIRE DATA TO MEET OUR ONGOING REGULATORY OBLIGATIONS IN THE ESSSENTIAL AIR SERVICE, FITNESS, AND INTERNATIONAL ROUTE AND RATE AREAS AS WELL AS TO PREPARE THE REPORT TO CONGRESS. BUT, WE ARE MAKING EVERY EFFORT TO ASSURE THAT THE BOARD WILL COLLECT NO MORE DATA THAN IT ABSOLUTELY NEEDS TO CARRY OUT ITS PROGRAMS.

I WILL NOW BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

CIVIL AERONAUTICS BOARD

Summary of Budget Changes
(In thousands of dollars)
2/17/81

Appropriation	FY 1981 Carter Budget	FY 1981 Reagan Rev.	FY 1981 Diff.	FY 1982 Carter Orig.	FY 1982 Reagan Rev.	FY 1982 Diff.
Salaries & Expenses	30,044*	29,394	(650)	30,868	29,848	(1,020)
Positions	690	656	(34)	655	603	(52)
Workyears	745	720	(25)	699	664	(35)
Payments to Air Carriers						
a) Section 406 Subsidy						
Local Service	71,800	71,800	-	69,000	-	(69,000)
Regional	9,200	9,200	-	8,600	-	(8,600)
Alaska	10,300	10,300	-	10,900	-	(10,900)
Adjustment to Prior Year Subsidy	2,700	2,700	-	-	-	-
Subtotal	94,000	94,000	-	88,500	-	(88,500)
b) Section 419 Subsidy						
Normal	12,200	12,200	-	16,300	27,200	10,900
Hold-in	8,000	8,000	-	8,800	30,800	22,000
Subtotal	20,200	20,200		25,100	58,000	32,900
Total PAC	114,200*	114,200*	-	113,600	58,000	(55,600)
Total Budget Request	144,244	143,594	(650)	144,468	87,848	(56,620)

Reductions in the Salaries and Expenses appropriation are directly related to the reduced positions/workyears. The specific activities affected will be those elements being phased down or out as part of the CAB's "Sunset Plan," such as certain Consumer activities and other areas in which the Board loses its authority at the end of 1981.

The Section 406 Subsidy will be eliminated in FY 1982. $22 million has been added to the Section 419 Subsidy for compensation to carriers at hold-in points, and $10.9 million has been added to provide for service in Alaska. Also, a restriction will be included under section 419 to prevent any community from receiving greater subsidy than it did under the 406 program.

* Includes supplemental requests now pending of $1,625,000 for Salaries and Expenses, and $27,900,000 for Payments to Air Carriers.

BARBARA CLARK DESIGNATED DEPUTY DIRECTOR OF BPDA

WASHINGTON, D. C. (March 2)--Michael E. Levine, Director-Designate of the Bureau of Pricing and Domestic Aviation (BPDA), today announced the designation of Barbara Clark as Deputy Director of the Bureau. Ms. Clark is currently Executive Assistant to Member Bailey.

The newly-formed Bureau of Pricing and Domestic Aviation consolidates the Bureau of Fares and Rates and the Bureau of Operating Rights. BPDA is the lead Bureau in helping the Board to face difficult tasks in the months ahead as the Board moves toward instilling a more competitive environment in the air transportation system.

Mr. Levine said, "I have chosen Ms. Clark for her familiarity with a wide range of Board processes, her managerial sophistication, her energy and her initiative. All these qualities will be exercised to the full in the demanding job of developing and running sophisticated programs in the Board's largest Bureau."

Ms. Clark came to the Board nine years ago as a staff attorney in the Routes Division in the Office of the General Counsel. She subsequently worked on the task force in the General Counsel's Office which produced the opinions in the Domestic Passenger Fare Investigation.

Ms. Clark then became a Trial Attorney in the Legal Division of the Bureau of Operating Rights and was promoted to the position of Chief of the Legal Division, a position she held for three years before assuming her current duties with Member Bailey.

Ms. Clark lives in Washington, D. C.

MARVIN S. COHEN

Marvin S. Cohen was appointed Chairman of the Civil Aeronautics Board by President Carter on October 27, 1978, succeeding Alfred E. Kahn, little more than two weeks after being sworn in as a Member of the Board on October 10. After filling out a term ending December 31, 1979, Chairman Cohen was renominated and received Senate confirmation for a full six-year term.

At the time of his nomination to the CAB, Cohen was a partner in the Tucson law firm of Bilby, Shoenhair, Warnock and Dolph. Before joining the firm in 1963, he was Special Assistant to the Solicitor in the Department of Interior in Washington, D.C. for two and one half years. In 1961, he was First Assistant City Attorney in Tucson and, from 1958 to 1960, was Chief Deputy County Attorney in Pima County (Tucson).

Chairman Cohen's regulatory experience before coming to the Board included work as an attorney for industrial intervenors in major rate proceedings before the Arizona Corporation Commission involving Tucson Gas and Electric Company, and the Arizona Public Service and Citizens Utilities.

He served as chairman of the Arizona State Bar's Group and Prepaid Legal Committee, and as secretary of Arizona Legal Services. He was a board member of the Tucson Regional Plan, and has served on the Tucson Water Advisory Committee.

His civic activities include a term as President and Board Member of the Arizona Civic Theater, Member of the Arizona Commission on the Arts and Humanities from 1975 to 1978, and Member of the Boards of the Tucson Symphony and Tucson Ballet. From 1966 to 1968, Cohen was President of the Tucson Jewish Community Center. He was a Board Member of Temple Emanu-El, and Past State Chairman of the Arizona Anti-Defamation League.

Chairman Cohen, 48, received his bachelor of arts, with high distinction, and bachelor of laws, with distinction, from the University of Arizona, with Phi Beta Kappa and Phi Kappa Phi honors.

ELIZABETH E. BAILEY

The Honorable Elizabeth E. Bailey was sworn in as a Member of the Civil Aeronautics Board on August 8, 1977, to fill out the unexpired term of former Chairman John E. Robson and serve a full six-year term ending December 31, 1983.

Mrs. Bailey is the first woman Member of the CAB. At the time of her nomination by President Carter she headed the Economic Research Department of Bell Telephone Laboratories in Holmdel, New Jersey. She had been with Bell since 1960. As head of research, she was responsible for research in areas of economics related to the telecommunications business and regulatory processes affecting it.

Mrs. Bailey also was an Adjunct Associate Professor of Economics at New York University, and had been associated with that institution for four years.

Author of the book, Economic Theory of Regulatory Constraint (1973) and editor of Selected Economic Papers of William J. Baumol (1976), Mrs. Bailey also has written numerous articles on economics for such technical journals as the American Economic Review, Journal of Political Economy, Bell Journal of Economics, and Journal of Public Economics.

A native of New York City, she received her undergraduate degree in economics from Radcliffe College in 1960, a master's degree in mathematics from Stevens Institute of Technology in 1966, and her doctorate in economics from Princeton University in 1972.

Member Bailey currently serves on the editorial board of the American Economic Review, and is a member of the American Economic Association.

Mrs. Bailey and her two sons reside in Chevy Chase, Maryland.

BIOGRAPHICAL PROFILE

NAME: John R. Hokanson

TITLE: Chief, Air Carrier Subsidy Need Division
Bureau of Domestic Aviation

PERSONAL DATA

BORN: October 17, 1932 at Marquette, Kansas

RESIDENCE: 10205 Arizona Circle
Bethesda, Maryland 20034

MARITAL STATUS: Married to former Rubie R. Steffens since 1960

EDUCATION: Graduated from Marquette, (Ks.) High School (1950)

Received B.S. in Economics from Kansas State University (1959)

Received M.A. in Economics from University of Oklahoma (1962)

MILITARY EXPERIENCE: Air Controlman (Air Operations Specialist) in U.S. Navy 1951-55. Major duty stations--California, Florida, Kansas, Hawaii and Guam. Left service as Petty Officer, 2nd Class.

WORK EXPERIENCE

NON-GOVERNMENT: Worked as full-time printer and linotype operator 1950-51. Worked part-time at same occupations while in college 1955-59. Employed as newspaper reporter and news editor in Nebraska and Oklahoma 1959-60. Worked part-time as news writer while at University of Oklahoma 1961-62.

GOVERNMENT

1962-63 -- Economic Statistician working on surveys of retail sales at U.S. Bureau of the Census.

1963-66 -- Regional Economist in Bureau of International Commerce at U.S. Department of Commerce. Specialist in African business, economics and trade. (Traveled extensively in West Africa (1964) in connection with market surveys at Ghana and Liberia).

1966-73 -- Industry Economist in Economic Research Section and in the Office of Plans at the Civil Aeronautics Board. Specialized in financial analysis and forecasting and in analysis of local service and small-community service matters.

1973-Present - Made Chief of the Subsidy Section in 1973. Served as Acting Chief, Government Rates Division in first half of 1978. Chief of Subsidy Division since mid 1978. Responsible for Civil Aeronautics Board staff work involved in administration of (1) 406 subsidies (2) equipment loan guarantees and other (non-CAB) federal financial assistance to air carriers and, since the passage of the Airline Deregulation Act, (3) subsidies and compensation under section 419.

FREDERICK J. ZIRKEL is Deputy Comptroller of the Civil Aeronautics Board.

He joined the Board in late 1976 after having worked four years for a systems consulting firm as Vice President and Comptroller. Prior to joining the consulting firm, Mr. Zirkel worked three years a a Senior Accountant for a national accounting firm in Chicago.

Mr. Zirkel graduated from the University of Kentucky in 1967 with a B.S. in Accounting and has earned 18 credits towards his M.B.A. at George Washington University. He is also a Certified Public Accountant in the state of Illinois.

Mr. Zirkel, his wife Jane and their two children live in Great Falls, Virginia.

AIRLINE INDUSTRY COSTS

Senator ANDREWS. That pretty well covered it, Mr. Chairman. Let me develop a few points orally, and then I have a number of other questions that you can answer later for the record.

We mentioned earlier in our exchange some of the problems that are coming up with this 175 or so communities that have been shifted around in air carrier service. Certainly we all read in the financial pages that the airline industry is closing its books on probably its worst year on record. Some say the 1980 loss is expected to equal the industry's profit of $259 million in 1979.

Carriers have entered or exited hundreds of markets. Some communities seem to have more air service than they know what to do with, and others complain about inadequate service. We have mergers all over the place. We don't know how many airlines are going to exist to compete with one another in the future.

I understand in this morning's paper that you turned down or slowed down a proposed merger.

Mr. COHEN. Actually, we gave all the parties involved the right to go ahead in the marketplace for the time being. We don't know what the ultimate result will be.

RESULTS OF DEREGULATION

Senator ANDREWS. And that's the trouble. Too few people know what the ultimate result will be, and that's the thing that bothers the traveling public and the communities, notwithstanding occasional bargain rates.

When I want to go some place, I find that the fare I have to pay has increased dramatically. When I first came to Congress I could fly roundtrip to Fargo, N. Dak., for $106. Now I can't do it for less than $450.

In view of plummeting industry profits and soaring fares, we hear, the cries of inadequate service, and you get in your newsclips the pluses together with the minuses that we heard about. Certainly we've got widespread confusion on the part of the traveling public.

Would you say that deregulation is working? Are you happy with this child of yours?

Mr. COHEN. Yes, we think it is working fairly well. We would be much happier if we were still paying 37 cents a gallon for fuel. I think then it would be working a lot better. If the economy in the United States were much healthier, I think it would work better.

Let me deal with each of these a moment.

AIRLINE PROFITS AND LOSSES

Senator ANDREWS. Yes; it is so easy, you know, to say that if it weren't for the fuel cost, things would be better; but what evidence do you have to support your view that deregulation is working?

Mr. COHEN. Take profits and losses and fares for a moment. It is rather interesting that in what admittedly is a rather dark financial year, for trunk carriers particularly, there are bright spots. It is not a uniform picture.

While most trunk carriers have had real financial problems this year, Delta Air Lines made outstanding profits. Delta does not charge unusually high fares compared to anyone else, yet had a very good year.

The local service and the regional carriers have had, on the whole, a good year. U.S. Air, formerly Allegheny, made record profits. The former intrastate carriers that have now become regional, such as Air Florida, PSA, and Southwest, are doing quite well. TXI and Frontier are doing well. Piedmont is doing quite well. Republic, of course, is still digesting its growth—first North Central, Southern, and then Hughes Air West.

SUBSIDIZED ROUTES

Senator ANDREWS. They are leaving routes that they were on for decades up in our area to take care of this new girl on the block.

Mr. COHEN. Well, they stayed longer than most at routes that our regulatory system held them into. Many of those routes in which they are remaining is because they are good economically. They were staying in other routes that they are leaving now because the Federal Government was paying them $13 million to stay there.

They provided subsidized service very well. Many other carriers have left routes of that size. Even with the problems of growth in the two mergers, Republic still managed to have a small profit for the year.

Senator ANDREWS. And Republic will be off subsidy pretty soon?

Mr. COHEN. In the 406 program for each point it drops, its subsidy is reduced proportionately.

Of the 20 points, are most of those Republic?

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Mr. HOKANSON. Yes.

Mr. COHEN. As it drops 20, and it has how many, 60 or so?

Mr. HOKANSON. It has about 60 subsidized points, but there are only about 22 that we think for sure they will drop that will require subsidy, and there's another 10 or 11 in the transition, 40 to 100 enplanement range.

Senator ANDREWS. They may pick up some 419 for a while?

Mr. COHEN. That is correct.

Senator ANDREWS. Not for more than 1 year?

Mr. COHEN. They are allowed to have that indefinitely. They can be held in longer than 1 year under the law because they are not a trunk carrier, although they are probably big enough now that they could be.

Senator ANDREWS. In other words, their new configuration is not what you look at.

Mr. HOKANSON. They are technically still a local service carrier. They have the magic words in their certificate of public convenience.

Mr. COHEN. What we are seeing is differentiated results for different carriers. American lost a lot of money. Pan American lost a lot of money. TWA lost some money, but did fairly well in this atmosphere. Eastern came about even. United had losses, but by the fourth quarter they feel they have turned the corner since they had good profits in the fourth quarter.

As I said, we are seeing differentiated results in the industry, although the gross picture is about a $200 million operating loss for the industry. It is close to $400 million loss for the trunks and about $200 million profit for the local service and regional to offset that, if you look at the gross figures.

If you look at the individual figures, each of them is quite different on the profit-and-loss side. It is projected that after a rather slow first half of this year, the industry as a whole will do better in the second half of 1981 and do quite well in 1982. The airlines themselves, I think with one exception, are finding that although they opposed deregulation when it was going through Congress, they much prefer it now.

I have heard the president of TWA say, at a public meeting at which we both spoke, that if it were not for deregulation, their losses would have been greater. I think the presidents of Eastern and United have said the same thing.

Thus, we have the airlines who know their industry saying that deregulation has helped them from having a worse year than they would have had. It would have been worse if they hadn't had the flexibility to try to match their supply with the demand in the marketplace.

FARES

Let's talk about fares for a moment. Fares are so complicated. What happens often with the newspapers is it's like they are feeling the leg of the elephant. They talk about comparing coach fares in the early 1970's with coach fares today. The fact is, in the early 1970's the coach fare was pretty much the average fare. Today the coach fare is not the average fare. It is not the fare used by the majority of the public.

In 1980, about 60 percent of the revenue passenger miles flown were on discount tickets. The average fare people all over the country are paying is quite a bit lower than the coach fare.

In the early 1970's that was not true. The coach fare was much more significant.

Senator ANDREWS. Is that a good move?

Mr. COHEN. I think it is, but are you referring to the fact that businessmen are more likely to pay the coach fare?

Senator ANDREWS. I'm not worrying about businessmen. I'm worrying about Aunt Minnie whose sister dies, and she's got to get on an airplane and go. She's paying a whale of a lot more for that trip than she would have had to under the old system where the coach fare was the minimum fare. And yet you are doing right well for the travel agency group who wants to book a covey of people to go to Acapulco or San Francisco, to run around here, there, and everywhere.

But to take care of the truly human needs of the traveling public by lousing up the viability of the coach fare, you have really hit them in the face.

Mr. COHEN. We have seen a lot of that type of traffic that is not time sensitive. There is human need traffic that is time sensitive. But, I think most of the traffic is not time sensitive.

I'm going this weekend. My wife has been in the West for some time now on business, and I am going this weekend to visit with her. It's a human need; it's not business. I bought a discount ticket 2 weeks ago.

Senator ANDREWS. You knew a long time ago when you could go.

Mr. COHEN. Yes; and I have some flexibility about when I can go. From the standpoint of, and I think the idea of which deregulation was a fundamental premise, that people should just pay the cost of what they do, our society would work better if people just paid the cost of what they wanted to do and not much more and not much less. And, on a cost basis, you get rid of people cross-subsidizing each other.

If a person wants to fly, then they just pay whatever it really costs to fly. The fact that the plane takes off on a scheduled basis is necessary for the time sensitive traveler; but if it weren't for the time sensitive traveler, the plane could in effect sit there until it was full. Then the costs for everybody would be a lot less.

The time sensitive traveler is usually a businessperson, but it could also be a person going to a funeral or to visit someone who is sick, which is an immediate human need. The great majority, I think, are business travelers who are more time sensitive.

Those time sensitive travelers require the scheduled aspect of the service, and the price differentiation here charges them.

CHARTER SERVICE AND COACH FARES

Senator ANDREWS. Well, you're going to have a horrible utilization of aircraft. I can visualize 727's sitting on the ground until it loads up and then getting to another place, and maybe there are people waiting or not. I think things would be worse than they are under deregulation.

Mr. COHEN. It would be an ultimate charter-type program. Charter programs in Europe are very cheap compared to scheduled service. Charter service generally is very cheap because you can fill up your airplane and achieve 90- to 95-percent occupancy.

Senator ANDREWS. In regard to charter service, I was at home during the Lincoln Day recess, and I was taking off from Fargo to fly to Bis-

marck for a meeting I had there. At the airport there was a 747. This guy with the Elks Club got together and persuaded people that they ought to go to Hawaii because they can do it so cheaply. They get on a 747 and go out and fly to Hawaii, and I'm sure they did it cheaply, and I'm sure that that was all fine. But when you average those in with the traveling person who is going here, there, or some place else, then that gives you the idea that you have a new low fare because that type of charter gives you a low fare.

Mr. COHEN. The airline industry is going to meet whatever the needs of the public are, if that's what the marketplace allows them to do.

One of the aspects of having a two-tier pricing structure is that if all you have is coach fare passengers with scheduled service, there are a lot of instances in which the plane will not be filled and there will be a lot of empty seats. The idea of the discount fare is to fill up those empty seats as much as possible, overall getting more revenue for the whole airplane, and ultimately bringing the cost to the coach passenger down below what it would have been if it had just been an all-coach system.

Let me mention what is happening when you look at costs and prices in the system today. We compared the average prices people were paying in the third quarter of 1980 to what they paid in the third quarter of 1978 for air travel, and compared the increase in that with the increase in the cost of the inputs into air transportation. Those inputs are airplanes, labor, fuel—all the things that you need in order to provide air transportation.

The input costs have increased 42 percent since the third quarter of 1978, but the average fares all over the country have increased only 32 percent. There is still a 10-percent differentiation. Fares have not gone up as much to the public as costs have gone up for the industry.

SPECIAL RATES

Senator ANDREWS. But you are putting in all those special promotional fares and the rest. Many people simply don't have the time or the ability to avail themselves of that. When you live in a small town and you are trying to get one of those super-duper fares that was put in with some computer a long way away, you'd be amazed at the frustration you have sitting out in Fargo, N. Dak., trying to call an airline to try to get one of those fantastic fares.

You are put on hold, and you get a busy signal, and you have a whole host of other things. That's not your fault. It is the fault of the airline or the ticketing agent. And then the travel agents, in order to get around that, write up some wholly imaginary reservations because they got tired of being put on hold. Then you get people standing there, some flights that are oversold and sometimes they are undersold.

Relying on these special rates, Mr. Chairman, is not really a way to help out the traveling public in my estimation. I think back to the old days when the bus was the only way to go. You got on the Greyhound bus and you paid one fare; and if you wanted to get on a fast bus, you paid a little bit more. But you didn't have the person in the seat beside you, traveling for one-third of the price you were traveling just because he had a secretary that could spend more time on the telephone getting a ticket.

Mr. COHEN. I find it somewhat frustrating sometimes when I buy something at the store and learn 2 weeks later that if I had gone somewhere else I would have found it cheaper. That is part of our system.

But there is such diversity of what is happening in the market out there in air transportation. I believe Republic, for instance, is experimenting with a number of what they call "tag-end" fares where for 100 miles or lower segments they are offering very low fares.

Senator ANDREWS. If you want to fly from Fargo to Bismarck, you can get it for a bargain price. If you're going from Fargo to Minneapolis, hold on to your hat. It costs me more to fly from Washington to mid-America than it costs to fly from Washington to the west coast, twice the distance.

Mr. COHEN. Part of the reason for that is that the cost of air transportation is a function not just of distance, but of the density of the market and a number of other things.

406 AND 419 SUBSIDY

Senator ANDREWS. You say that the subsidy cost of section 419 will only be about half that as under the section 406 program proposed for termination. But you also give us the assurance that service to communities will not be interrupted.

And you give us your estimate that it's going to be an average period of 1 year before we get these individual towns. How can we then, in this fiscal year, assume that we are going to get by for half what we would have paid under 406?

Mr. COHEN. We assume, on the basis of traffic at the various cities, that there will be a number of cities at which it will not be necessary to hold in the carrier as the carrier will not want to leave. However, if it did, there would be so much traffic there that it would attract immediate replacement service from another carrier.

We do not anticipate that we will continue to subsidize every city of that 146.

Also, for a rather legally complex set of reasons, we have a particular program that adds some $19 million. What is that?

Mr. HOKANSON. You're talking about the SIP? In the Airline Deregulation Act, section 406 was rewritten at that time in such a way to make it impossible to do a lot of things that normally were done in 406 prior to deregulation. This had the effect of requiring us to set the 406 subsidy levels at about $17 million higher than we thought they ought to be, in order to be in line with what the Congress seemed to be telling us to do in the act.

All of that would be a savings if the President's proposal is passed.

Mr. COHEN. That would be $17 million off the top in the service incentive program that we would not have to pay if the 406 program ended at the end of fiscal year 1981. We assume that there are about 50 cities of that 146 we wouldn't have to pay, either a hold-in or any other type of subsidy.

FEE SYSTEM AT NATIONAL AIRPORT

Senator ANDREWS. So you think the figures are pretty valid.

Tell us about your staff proposal for a fee system to replace the slot quota at National Airport?

Mr. COHEN. We did not bring along the proponents of that, but I know something about it. We have not reviewed it at the Board level because it is part of a larger set of concerns that we are looking at now.

They suggest, from looking at the record of what has happened at National Airport, that the real problem is not so much airside congestion that would have to be dealt with by slots, as it is now under the high-density rules——

Senator ANDREWS. Well, if it isn't, why are you concerned about lowering the slot numbers from 40 to 36?

Mr. COHEN. That was the FAA's responsibility. We did not get into that. Those were IFR conditions. Some years ago, the FAA put the high-density rule in place to limit the number of landings, I believe, to 60 an hour.

Our staff people found, and there is some evidence in the FAA's record on this, that there are actually up to 19 landings an hour during the VFR conditions and somewhat over 70 actually occurring in IFR conditions. Those are the numbers off the top of my head.

They see the problem at National as being more related to noise and possibly groundside congestion. They suggest that, instead of trying to deal with noise and groundside congestion by limiting airside access, the problems be dealt with more directly.

They have suggested that a market system of pricing may be the more appropriate way than just a fixed or arbitrary number that limits airside.

Senator ANDREWS. That's coming out of a group within your shop?

Mr. COHEN. Yes; that's our Office of Economic Analysis.

Senator ANDREWS. So you'd say that if we auction these slots off for $50 apiece, $100 apiece, or whatever, then the one that can justify that kind of expenditure would get the slot and the one that couldn't wouldn't.

Mr. COHEN. Mr. Chairman, that was an initial idea about 1 year ago that was discussed at CAB.

Our newest idea from our Office of Economic Analysis is not so much auction, but setting a price related to the noisiness of the airplane, and using a landing fee with the amount of the landing fee to be in relation to the noise.

For instance, commuter aircraft make very little noise compared to a 727-200. If noise is the problem, then the program ought to be oriented——

Senator ANDREWS. Well, the shuttle is certainly a commuter airline, and that's a 727.

Mr. COHEN. We use "commuter airline" in the sense of a twin turboprop airplane, not a jet.

Take the shuttle, for instance. If they used an Airbus, it would be much less noisy than a 727-200. If noise is the problem, then it ought to be easier for an Airbus to get in than a 727.

If groundside congestion is the problem, of course an Airbus brings more people in there and that would have to be taken into account.

Senator ANDREWS. You said that the groundside congestion was the problem.

Mr. COHEN. That is apparently one of the problems.

Senator ANDREWS. More so than airside?

Mr. COHEN. More so than airside, but probably less so than noise.

ENERGY CONSERVATION

Senator ANDREWS. The thing that intrigued me was the staff proposal for a fee system.

Another area that this subcommittee is concerned about is our rail transit system and our energy effectiveness. I am appalled that National Airport is increasing landings and takeoffs, noise and all of that, and increasing it by putting in 14 more flights a day—isn't that what New York Air is doing, something like that—to do the commuter-type operation that is in direct competition with the more energy-efficient rail service between Washington and New York.

So you know, if you are trying to save energy, if you are trying to stop noise, certainly your fee slot system fits into the framework of discouraging more and more short-haul flights into the National pattern, hopping from National over to Baltimore.

And a 727 does not make very much sense to hop from National to New York. It is not energy effective vis-a-vis what can be done by rail.

And if you are looking at goals that this country ought to be driving at, to get from here to Philadelphia and from here to New York, it might better be done by rail. And this slot auction proposal that your staff came up with might be one way to approach that.

Mr. COHEN. Mr. Chairman, the focus of all of this is again paying the real cost of what is done. I think the conservation of energy can probably be achieved by having people pay for the cost of what they do.

If it is cheaper to go by rail, they will tend to weigh the cost against the time that it takes. But the question of what should happen to energy, it seems to me, ought to be sorted out in the marketplace. If people want to pay the price of using energy for a particular purpose, they ought to be permitted to do so as long as it's not for a harmful purpose.

We are finding that as energy prices find their own level in the marketplace, and that is happening, that is the biggest conservation incentive in the marketplace.

COMPETITION OF AIRLINES

Senator ANDREWS. You are mandating more and more competition, I guess, with New York Air coming in and competing with Eastern air shuttle, and it is competing with Amtrak travel between here and New York.

You are doing the same kind of competition as in your international aviation policy. And we are seeing that as you put more American airlines into competition with one another, that the profits they make are going to be reduced.

What good does it do us to have a couple more airlines running over an ocean for the so-called competition and, as a result, probably in-

crease the losses that then have to be made up on the domestic side of the equation? I am looking particularly at the Atlantic and the Pacific.

Mr. COHEN. Mr. Chairman, airlines all over the world are losing money internationally today, whether they are in a protected regime or not.

INTERNATIONAL AVIATION

Senator ANDREWS. But most of the others are subsidized by their country of origin, when you're talking about international airlines.

Mr. COHEN. Most of the international carriers that are government-owned have the government as their financier of last resort. The governments with which we have had contact around the world are not anxious to spend tax dollars, which are being demanded for many purposes, for airline subsidies.

They certainly will use them to keep their airlines from going bankrupt. That we have learned, but they do not want to subsidize their airlines. That is the last thing they want to do.

In many of our discussions with the governments around the world, they are concerned that our carriers are significantly more efficient than their airlines. They are concerned that our carriers will outproduce them and will force their carriers toward bankruptcy, thus forcing a subsidy to keep their carriers alive.

That is the fear of many international governments when we go to negotiate. They don't as a matter of routine subsidize their airlines in order for their airlines to beat out our airlines competitively. We just have not seen that happen.

Let me address your earlier premise in your question. We don't think that what we have been doing in the area of competition in international aviation has caused problems for our carriers.

Business Week had a recent cover story to which I have written a response. The Business Week story was incorrect in a number of areas. It was generally a hatchet job on international aviation policy which was established by Congress in the spring of 1980.

For instance, the following fact was given to Business Week, but was ignored and not stated in the article at all: TWA, which is a major carrier on the North Atlantic, as of the end of the third quarter of 1980 had operating profits of $25 million on the North Atlantic at a time when they had losses on the domestic system in the United States. In their third quarter, they made $46 million on the North Atlantic. Again, results are differentiated.

Senator ANDREWS. Thank God for that, because they can use those profits that they made on the Atlantic route to keep them in business on the domestic route. And if they don't—if you force two or three other airlines into that same slot, and force TWA to use some of those trans-Atlantic profits—don't they then have to make up those losses by taking it out of the American domestic travel?

Mr. COHEN. The system does not work that way. It is not a fixed pie in which, if you put a competitor in there, you are taking 15 things and dividing it 3 ways instead of 2 ways.

The pot of passenger traffic is quite variable. It depends on the service that is offered.

Let me give you the example of Atlanta. We put new competition into Atlanta, from Atlanta to London. Service from the United States to London was at one point the exclusive prerogative of TWA and Pan-Am. About 3½ years ago, we put in some direct service with Delta serving directly from Atlanta to London.

The amount of traffic, that is the number of people flying from Atlanta to London, increased dramatically. Certainly, there was a loss of some of that traffic for domestic carriers that used to go between Atlanta-New York-London. There was a loss for either Pan-Am or TWA, who used to carry people from Atlanta to New York and then to London.

But there were much larger gains for Delta carrying from Atlanta to London. More importantly, the people of Atlanta, Ga., and the people who live in that area had much more convenient service and took advantage of it.

It was not a fixed pie that was divided. That pie grew a great deal and most of the traffic between Atlanta and London was new traffic.

LOAD FACTORS

Senator ANDREWS. And it resulted in decent load factors for the planes?

Mr. COHEN. Yes; in fact, we found that under the competitive system we have now, with price competition, load factors are consistently higher than they were under regulation.

Another interesting thing is that our most competitive markets have the highest load factor. The more competition we have in the market, it seems the higher the load factors. That means more people are being served more efficiently.

That's what the facts are showing.

Betsy, you know more about this. You granted Delta that right to London.

Ms. BAILEY. I think the only thing that I would add to what you're saying is: If TWA or Pan-Am did not have 100 passengers some days to take to London because Delta was doing it directly, they could take that plane that used to be going across the Atlantic and do something else with it, such as going into a new domestic route or a different Atlantic route.

There are adjustments that take place, but they are not like the railroads. With planes, if demand goes down in one place, you can just pick up that plane and move it. It's different than railroads where, once you have the tracks in, you're kind of stuck with them.

Senator ANDREWS. What tradeoffs are involved? Let's say, for instance, you put in a new carrier in an Atlantic route. Do you then have to give the French airline the ability to fly an additional route into the United States and perhaps carry to some other cities in the United States?

Mr. COHEN. If you will indulge me a moment, I'll go back. This is the question that has been raised about what rights are traded for what.

INTERNATIONAL AIRLINE RIGHTS

Senator ANDREWS. In other words, if you insist that another American carrier be put on one of these transoceanic flights, and then you give another country's airline the right to come in, does it then fly to different domestic towns and pick up more of our domestic traffic that would normally have stayed on a U.S. flight?

Mr. COHEN. Yes; let me explain what we think has been happening over the past 10 years.

EUROPEAN-U.S. TRAFFIC

Senator ANDREWS. Yes; but you don't think that hurts?

Mr. COHEN. Let us look at the European-U.S. traffic, the North Atlantic from Western Europe to the United States and from the United States to Western Europe.

Senator ANDREWS. Or the Pacific.

Mr. COHEN. Let me take Europe for just a moment, if I may.

Before we started making the newer and more liberal agreements, the agreements in which we were getting into these kinds of trades, we used to trade protections. We would protect our carriers and the other country would protect its carrier.

By 1970, we already had access to the major cities of Europe. We had the right to fly to Paris, for instance, and we still have the right to fly to Paris with as many airlines as we want. We don't have to trade off for that right. We have the right to fly to London. We also have the right to fly to Frankfurt, Amsterdam, Brussels, and so forth.

The majority of traffic used to be U.S.-originating traffic. We would carry, of course, the majority of our own originating traffic and the Europeans would carry the majority of their originating traffic. We had the majority of the traffic that was actually starting out.

In the middle 1970's, that balance started shifting and there was more and more European-originating traffic. The Europeans wanted to limit our right to have access to that Europe-originating traffic.

One of the questions involved here was: How can we preserve for our carriers the assurance for access to Europe-originating traffic, and yet prevent Europeans from having access to the U.S.-originating traffic?

In addition to the concerns about better service for the public generally, we have also been looking at preserving our carriers and increasing and improving our carriers' access to the Europe-originating traffic. In doing so we might give, for example, Lufthansa access to Atlanta directly. At the same time, we get pricing freedom.

We already have access to Frankfurt, but we get the right to do better pricing, to have no limits on our capacity, and to put more than one or two airlines in there.

We get realistic market access; that is, the right of the airline to do its own marketing program and to have pricing, capacity, and scheduling. A diversity of U.S. airlines can serve in that market, thus getting better access to Europe-originating traffic.

What has been the result of that? In the 3-year period from June 30, 1977, through June 30, 1980, the traffic between the major Western European markets and the United States grew by 3.3 million passengers.

Of that 3.3 million, 2.7 million were Europe-originating—only 600,000 were U.S.-originating.

Of that group, the European carriers enplaned 400,000 more U.S.-originating passengers. Our carriers enplaned 1.2 million more Europe-originating passengers.

To protect our originating traffic would be to protect a pie that is not growing. We would be giving away access to the pie that is growing three or four times as fast; that is, 600,000 versus 2.7 million. We have been preserving and improving our carriers' access to Europe and will continue to do so.

There are still problems with that, but we are working on them.

AIRLINE MERGERS AND EMPLOYEE PROTECTIONS

Senator ANDREWS. We're going to get them over here to spend their money here and help our balance of payments, hopefully.

I have a couple of other questions, Mr. Chairman. Since the enactment of the Airline Deregulation Act, we have seen several major airline mergers approved by the Board. And in keeping with past practice over some 30 years, you put employee protective provisions in the airline merger cases, including mandatory arbitration of seniority lists integration.

I understand the Board has announced its intention of abandoning this practice. Would you comment on this intention and explain the reasoning behind your decision, particularly in light of the potential difficulties such a departure from past practice may cause between labor and management in the airline industry? And what do you suggest as a substitute for this seniority integration?

You know, we try to integrate seniority between the Senate and the House. Leaving the House after 18 years of service and coming over here as a freshman Senator really kind of makes you wonder where your seniority goes.

But I think these people in airline jobs look at some of these mergers and wonder what's going to happen to their seniority. What's a more orderly way of handling it than the seniority list?

Mr. COHEN. We have considered the degree to which we ought to be intervening in relationships between labor and management. We have been convinced, after some real discussion, that there could be problems where both labor and management have not had enough notice to deal with this themselves.

There could be problems on particular mergers where they did not have the prior notice so they could make arrangements themselves in their negotiations. What we are trying to do is give notice to labor and management that, in the upcoming rounds of discussion, this is a subject they ought to deal with themselves in their own agreements.

We have the rather unusual situation of two airlines coming in and saying: Please make us do this. We ask: Why can't you agree to do it yourselves; why do we have to make you do it? You both agree you should do it so why don't you agree to the labor protective provisions yourselves?

Senator ANDREWS. In other words, you're not coming up with a better alternative?

Mr. COHEN. We are saying it should be left to them to provide for themselves.

Senator ANDREWS. Do you have a better alternative than the procedure they have used in the past?

Mr. COHEN. No; they can adopt that procedure themselves.

Senator ANDREWS. You have no other suggestion that you think might work better?

Mr. COHEN. We don't think we should be telling them what to do, Mr. Chairman. We think that if it is necessary—and we have in every merger so far—then we employ the labor protective provisions.

It is a matter of philosophy. If it's possible for them to work this out themselves, why should the Government tell them what to do? Why don't we let them work it out themselves so long as they have sufficient notice and have plenty of time to work it out in advance? That means some years, not just a matter of months, and we are trying to give them that kind of notice.

Why should the Government go in and tell management and labor what to do? Why should the Government tell them that they have to arbitrate it? They could agree among themselves to arbitrate this so why not leave them to agree?

We think they know better how to deal with those problems than the Federal Government ordering it. If there hasn't been enough time for that to happen, as has been stated to us in every merger we have had before us, we have gone ahead without argument and put labor protective provisions into those mergers.

One acquisition that does not contemplate a merger of labor forces is the acquisition of Air California by Air Florida which is pending before us. We have indicated there that we might not put in labor protective provisions.

It appears that they would not be needed because there is no integration of labor forces. These are two airlines on two different sides of the country, and it's really just an acquisition rather than a merger.

CERTIFICATING NEW CARRIERS

Senator ANDREWS. One of the other effects of deregulation has been the establishment of a number of new air carriers. One of the more important areas that the Board has considered in certificating new carriers is the assurance of the highest level of safety, that it will be maintained in the new operations.

To what extent does your Board consider evidence offered during its deliberations concerning safety issues, to assure that the requirements of the act are met?

Mr. COHEN. We understand that the act requires the FAA, of course, to certificate these carriers for safety purposes. We take into account in our certification process the report from the Federal Aviation Administration concerning the carrier's safety.

In a more general sense, part of our fitness examination is their management experience, their operational experience, and their financial plans. We have considered and consciously rejected the idea that we should duplicate the FAA's work. It would require a much larger increase in our agency, and I don't think that's what Congress intended.

Senator ANDREWS. I understand that in the *New York Air* case such evidence was not allowed to be entered.

Mr. COHEN. Yes; in the evidence, as I recall, there was something from FAA. Maybe Barbara remembers better. I think probably we approved them subject to certification by the FAA.

Ms. CLARK. There was a question about having an FAA witness come to testify, and he did come.

Mr. COHEN. We have rejected the idea that we should substitute ourselves for the FAA. The FAA is a sister agency of the Federal Government with a charter from Congress, as we are, with a mandate of its own. We are not capable of substituting our judgment on safety issues for the FAA.

Senator ANDREWS. You defer to the FAA in those instances?

Mr. COHEN. Yes; we are economic regulators. We don't have a staff of safety experts.

BILATERAL AGREEMENTS

Senator ANDREWS. Let me get back to the bilateral agreements for this one last oral question, and then I have a host of written questions to give you that the committee staff has put together and some that my colleagues have asked to be presented.

In the formulation of U.S. Government policy concerning the content of bilateral agreements with other countries, heavy emphasis has been placed on achieving the maximum possible competition and the lowest possible price. I think you said that a number of times. You have alluded to that just a minute ago: maximum competition, minimum fares is good.

Mr. COHEN. That again is maybe two or three legs of the elephant. That's not the whole elephant, though, Mr. Chairman.

What I've said is a diversity of price-service options give the maximum number of options to the general public. I don't want the lowest possible fares that are going to destroy the industry. I don't want a uniform system in which everybody has to be crowded in airplanes because of very low fares.

We are looking for a diversity of price-service options and a healthy air transportation industry.

U.S. CARRIERS

Senator ANDREWS. Isn't it important to consider the utilization of U.S. carriers and the increased employment of U.S. carriers?

Mr. COHEN. It is important that we have a healthy U.S. airline industry and that we get the best possible service to the American public and, in a larger sense, internationally. If we were to try to exclude foreign carriers, we would hurt our U.S. carriers. We have to try to work a balance.

We find that if our U.S. carriers have access to foreign markets on a more competitive basis, they are able to do better in an open competitive environment internationally and will take care of themselves quite well. This is because they are efficient and are generally well run and don't have the problems of overstaffing that many international carriers have, many of which are government-owned carriers.

If foreign governments are discriminating against our carriers, we do take action on it. If we have rights for our own carriers that are not being observed by foreign governments, we do, and should, take action on that.

But a more open competitive environment is to the benefit of our carriers. It does not hurt them.

Ms. BAILEY. I want to mention something that is in line with some of what Marvin was saying before. For many years, the view was that we should have only one or two U.S. carriers to do all flag service abroad.

When I first came on the Board, there were complaints from all over our country that people from such cities as Atlanta, Ga., Dallas, Tex., and Miami, Fla., had to go up to New York with one-stop service because both carriers had their main operations out of New York. They felt that there was enough traffic that they could go nonstop. They wanted us to give those rights to somebody else.

For a while, the Board continued to grant those rights to the same two carriers, but we could not force those carriers to exercise nonstop rights. We gave them the unique authority to have a nonstop right, and what they did was just serve it one-stop out of New York.

There was not any improvement in service. One of the reasons that we chose National out of Miami and Delta out of Atlanta, and eventua y Braniff out of Dallas, was precisely because those carriers did not have rights over New York so they couldn't go one-stop over New York. They actually improved service to that whole section of the country by going nonstop.

The people in those communities felt that they were very responsive to their needs in ways that the carriers that were used to serving the New Yorkers just weren't.

MARKET SHARES

Senator ANDREWS. But to get to the guts of the question, what has that type of policy done to the market share of the U.S. carrier? What percent of trans-Atlantic passengers were carried by American lines, say 3 years ago?

Mr. COHEN. Mr. Chairman, what has happened in terms of market shares of U.S. carriers is that, and this is from a report by Gelham and Associates that was done for the Air Transport Association, the market share of U.S. carriers has been diminishing since 1970. And the policies that Mrs. Bailey is talking about——

Senator ANDREWS. Yes; I had a friend by the name of John Rooney who taught me what I know on the Appropriations Committee 16 years ago. He said, never ask a question unless you know the answer.

That's my point. I wish you would supply for the record what percentage share American air carriers had 4 years ago, 3 years ago, and so on.

Mr. COHEN. But Mr. Chairman, let me say it again. The policies Mrs. Bailey is talking about started in 1977. The market share of U.S. carriers started diminishing in 1970, 7 years earlier. In 1977 it started picking up a little bit from that declining line.

Senator ANDREWS. That gives you the chance to say that your policy is helping rather than diminishing this market share.

If you could, please provide the American market share in the Pacific and in the Atlantic over the last 10 years.

And then, if you want to make your point, this is one of the things you can do. When you add to the record, you can point out at what point in that decade you instituted certain programs. And then we can look at that graph and we can see how these actions that you have put into effect have played up the American carriers' share.

Mr. COHEN. May I say that the major factor is not our policy at all. The major factor in that market share question is the origination of the traffic. There was a major turnaround from U.S.-originating to Europe-originating, and that is a major shift. It has had major repercussions in terms of market share.

Ms. BAILEY. The same thing is true in the Pacific. The majority of the traffic is now Japan-originated.

Mr. COHEN. In the Pacific, Japan is the major point.

We'll give you all the information as to what has happened with our individual markets to Korea with the traffic increases, to Singapore and so on.

[The information follows:]

Total United States International Passenger Traffic 1/
Highlighting Atlantic and Pacific Areas and Flag of Carrier Market Share
Calendar Years 1971 through 1980

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Atlantic (Europe)										
No. of Passengers (000)	9,456	11,424	11,739	10,147	9,901	11,134	12,082	13,694	14,869	15,310
U.S. Flag	4,538	5,376	5,780	4,677	4,400	5,051	5,485	6,017	6,575	6,443
Foreign Flag	4,918	6,048	5,959	5,470	5,501	6,083	6,597	7,677	8,294	8,867
Flag Share (%)										
U.S./Foreign	48.0/52.0	47.1/52.9	49.2/50.8	46.1/53.9	44.4/55.6	45.4/54.6	45.4/54.6	43.9/56.1	44.2/55.8	42.1/57.9
North Pacific										
No. of Passengers (000)	2,209	2,844	3,121	3,214	3,344	3,285	3,283	3,632	4,397	4,922
U.S. Flag	1,235	1,412	1,647	1,637	1,361	1,481	1,435	1,501	1,946	2,037
Foreign Flag	974	1,432	1,474	1,577	1,983	1,804	1,848	2,131	2,451	2,885
Flag Share (%)										
U.S./Foreign	55.9/44.1	49.6/50.4	52.8/47.2	50.9/49.1	40.7/59.3	45.1/54.9	43.7/56.3	41.3/58.7	44.3/55.7	41.4/58.6
Oceania 2/										
No. of Passengers (000)	541	646	768	752	741	861	878	967	1,142	1,220
U.S. Flag	333	380	435	381	371	424	438	450	581	588
Foreign Flag	208	266	333	371	370	437	440	517	561	632
Flag Share (%)										
U.S./Foreign	61.6/38.4	58.8/41.2	56.6/43.4	50.7/49.3	50.0/50.0	49.2/50.8	49.9/50.1	46.5/53.5	50.9/49.1	48.2/51.8
Other 3/										
No. of Passengers (000)	8,578	9,687	10,570	11,525	10,714	11,821	12,261	14,456	16,941	18,061
U.S. Flag	5,645	6,081	6,345	6,795	6,282	6,686	7,018	8,412	9,886	10,330
Foreign Flag	2,933	3,606	4,225	4,730	4,432	5,135	5,243	6,044	7,055	7,731
Flag Share(%)										
U.S./Foreign	65.8/34.2	62.8/37.2	60.0/40.0	59.0/41.0	58.6/41.4	56.6/43.4	57.2/42.8	58.2/41.8	58.4/41.6	57.2/42.8
Total										
No. of Passengers (000)	20,784	24,601	26,198	25,638	24,700	27,101	28,504	32,749	37,349	39,512
U.S. Flag	11,751	13,249	14,207	13,490	12,434	13,642	14,376	16,380	18,988	19,397
Foreign Flag	9,033	11,352	11,991	12,148	12,286	13,459	14,128	16,369	18,361	20,115
Flag Share(%)										
U.S./Foreign	56.5/43.5	53.9/46.1	54.2/45.8	52.6/47.4	50.3/49.7	50.3/49.7	50.4/49.6	50.0/50.0	50.8/49.2	49.1/50.9

Footnotes

1/ Excluding United States-Canada passengers after 1975.
2/ Oceania includes Australia, New Zealand, French Polynesia, as well as U.S. Trust Territories and other South Pacific Islands.
3/ Other includes Middle America, Caribbean, South America, Africa, and Middle East.

SUBMITTED QUESTIONS

Senator ANDREWS. I also have, Mr. Chairman, some questions that Senator Chiles asked me to submit to you, to be answered for the record. And if you complete those, we will have the basis on which to take a look at the new budget figures that will be coming out.

We appreciate your coming and sharing your input with us. Thank you.

Mr. COHEN. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

77-534 O - 82 - 17

Questions Submitted by Senator Andrews

SECTION 419 SUBSIDY BY CARRIER

Question: Please provide for the record a report showing:

(a) The annual operating expenses and operating revenues for each CAB registered commuter airline and third level airline for the most recent period. Show deficits or earnings. Also, show any 419 subsidy payments.

Answer: The Board does not receive revenue and expense data from commuter air carriers. Subsidy payments were as follows:

	Compensation for Essential Air Service	
	Fiscal 1980	Fiscal 1981 Thru January 31
Air Kentucky	$108,072	$ 61,857
Air Midwest	71,972	112,765
Air North	404,943	216,110
Big Sky	434,260	434,261
Cascade	24,199	27,082
Green Hills	-	29,116
Metro	163,054	235,485
Mid South	57,221	55,316
New Haven	84,275	76,287
Pioneer	-	44,155
Royale	-	62,006
Scheduled Skyways	-	130,004
WestAir	$ 78,162	$ 68,882

	Compensation for Losses	
	Fiscal 1980	Fiscal 1981 Thru January 31
Aeromech	$139,855	$ 87,251
Air Illinois	609,487	85,837
Air Midwest	126,376	83,234
Air New Mexico	40,336	-
Air Oregon	19,400	-
Air Virginia	110,400	-
Aspen	179,002	65,350
Cascade	119,109	71,319
Century	70,634	36,874
Green Hills	193,103	45,975
Jamaire	239,902	40,303
Metro	11,546	-
Mississippi Valley	57,274	108,109
NorEast	96,682	44,373
Ozark	43,269	32,760
Pennsylvania	290,851	46,158
Perkiomen	52,170	61,464
Pioneer	1,068,432	440,962
Republic/Royale	290,098	35,246
Scheduled Skyways	60,280	-
Semo	-	24,609
Sun International	276,100	159,932
WestAir	$98,588	$82,573

LIST OF COMMUTER CARRIERS AND SERVICE DATE

Question: Please provide for the record a report showing:

(b) For each commuter or third level airline, show the number of years of continuous service.

Answer: We are attaching a recent list of all commuters, including the date they became a commuter. Those that registered as commuters during 1970, may have been in continuous operation for a longer period since the requirement to register with the Board was not adopted until late in 1969.

LISTING BY DATE CARRIER BECAME A COMMUTER

RECORD KEY	CARRIER NAME	MAILING ADDRESS / STREET ADDRESS	CITY NAME	STATE
DATE BECAME A COMMUTER == (70/01)				
0158	AIR NORTH	*DBA* (SEE KEY 7969) ANA, LIMITED		
7958	ANA, LIMITED	P. O. BOX 2326	SOUTH BURLINGTO	VT
DATE BECAME A COMMUTER == (70/06)				
0176	AIR FLORIDA, INC.	3900 N.W. 79TH AVENUE	MIAMI	FL
1147	AIR OHIO	*DBA* (SEE KEY 4090) FLORIDA AIRLINES, INC		
4090	FLORIDA AIRLINES, INC	P.O. BOX 13084	SARASOTA	FL
0410	GOLDEN WEST AIRLINES CO.,	P.O. BOX 1877	NEWPORT BEACH	CA
7538	PENN-AIRLINES, INC.	WILKES BARRE/SCRANTON INT'L AIRPORT	AVOCA	PA
DATE BECAME A COMMUTER == (70/07)				
2729	AIR AMERICANA	*DBA* (SEE KEY 7943) SKYWAY AVIATION OF TEXAS, INC		
2031	HAVASU AIRLINES	P.O. BOX 2125	LAKE HAVASU	AZ
7943	SKYWAY AVIATION OF TEXAS, INC	700 S. MINNESOTA AVENU	BROWNSVILLE	TX
DATE BECAME A COMMUTER == (70/08)				
9659	CARIBBEAN AIR SERVICES INC	P.O. BOX 164	KINGSHILL,	VI
0552	CASSIR	*DBA* (SEE KEY 9659) CARIBBEAN AIR SERVICES INC		
0668	CATSKILL AIRWAYS INC	RD 1	ONEONTA	NY
DATE BECAME A COMMUTER == (72/01)				
5370	AIR HAWAII	*DBA* (SEE KEY 7504) AIRLINE HOLDINGS, INC.		
7504	AIRLINE HOLDINGS, INC.	GATE 4 HONOLULU INT'L AIRPORT	HONOLULU	HI
DATE BECAME A COMMUTER == (72/05)				
7513	CAPITOL AIR SERVICE, INC.	BOX 763	MANHATTAN	KS
0699	CHANDLER FLYERS	*DBA* (SEE KEY 1771) TORBERT, JAMES B.		
1408	FORD-AIRE, INC.	BOX 193	SIDNEY	NY
2726	ISLAND AIRLINES	*DBA* (SEE KEY 9858) SKY TOURS INC		
9858	SKY TOURS INC	P.O. BOX 172	PORT CLINTON	OH
1212	SUSQUEHANNA AIRLINES	*DBA* (SEE KEY 1408) FORD-AIRE, INC.		
1771	TORBERT, JAMES B.	P.O. BOX 215	CHANDLER	AZ
DATE BECAME A COMMUTER == (72/10)				
2560	CENTURY AIRLINES	*DBA* (SEE KEY 7984) S. S. AIRWAYS, INC		
7984	S. S. AIRWAYS, INC	P.O. BOX 4	KANSAS CITY	KS

DATE BECAME A COMMUTER == (73/07)

3397 COLORADO AIRLINES INC	*DBA* (SEE KEY 9799)	CRESTED BUTTE AIR SERVICE		
9799 CRESTED BUTTE AIR SERVICE	P.O. BOX 207		CRESTED BUTTE	CO
7546 FISCHER BROS AVIATION, INC.	8240 SR 309		GALION	OH
1152 GALION COMMUTER SERVICE	*DBA* (SEE KEY 7546)	FISCHER BROS AVIATION, INC.		

DATE BECAME A COMMUTER == (74/10)

7884 AIR MIAMI & AIR MIAMI LIMITED	*DBA* (SEE KEY 4071)	NORTH AMERICAN AIRLINES, INC		
9674 AVIATION SERVICES LTD	P.O. BOX 1578		AGANA	GU
0397 FREEDOM AIR	*DBA* (SEE KEY 9674)	AVIATION SERVICES LTD		
4071 NORTH AMERICAN AIRLINES, INC	P.O. BOX 52-4302		MIAMI	FL

DATE BECAME A COMMUTER == (75/01)

0278 AMERICAN AVIATION	*DBA* (SEE KEY 7508)	C & M AVIATION, INC.		
7508 C & M AVIATION, INC.	P.O. BOX 466		INYOKERN	CA

DATE BECAME A COMMUTER == (75/06)

3065 YOSEMITE AIRLINES INC	PO BOX 330		COLUMBIA	CA

DATE BECAME A COMMUTER == (75/07)

7548 HALVORSON OF DULUTH	2002 AIRPORT ROAD		GRAND RAPIDS	MN
1955 MESABA AVIATION	*DBA* (SEE KEY 7548)	HALVORSON OF DULUTH		
2602 SCHEDULED SKYWAYS INC	PO BOX 1344		FAYETTEVILLE	AR

DATE BECAME A COMMUTER == (75/09)

9499 COASTAL AIR LTD	165 EASST MAGNOLIA AVENUE-SUITE 223		AUBURN	AL
5361 SOUTHEASTERN COMMUTER AIRLINES	*DBA* (SEE KEY 9499)	COASTAL AIR LTD		

DATE BECAME A COMMUTER == (75/12)

0075 AERONECH AIRLINES	BOX 2550		CLARKSBURG	WV
0139 AIR ILLINOIS INC	P.O. BOX 201-SOUTHERN ILL AIRPORT		CARBONDALE	IL
0157 AIR NORTH	*DBA* (SEE KEY 9029)	YUKON AIR SERVICE INC		
2290 AIR PENNSYLVANIA	*DBA* (SEE KEY 9866)	PERKIOMEN AIRWAYS LTD		
0230 ALASKA AERONAUTICAL INDUSTRIES INC	PO BOX 6067 AIRPORT ANNEX		ANCHORAGE	AK
0235 ALASKA ISLAND AIR INC	BOX 509		PETERSBURG	AK
0264 ALTAIR AIRLINES INC	SCOTT PLAZA 2		PHILADELPHIA	PA
0309 ANTILLES AIR BOATS INC	SEAPLANE BASE CHRISTIANSTED		ST CROIX	VI
0315 APOLLO AIRWAYS INC	404 WILLIAM MOFFETT ROAD		GOLETA	CA
0428 BAR HARBOR AIRLINES	138 MAINE AVENUE-BANGOR INT'L APT.		BANGOR	ME

DATE BECAME A COMMUTER ** (75/12)

0510	BLACKHAWK AIRWAYS INC	BOX 744	JANESVILLE	WI
0530	BOISE AIR SERVICE	3200 AIRPORT WAY	BOISE	ID
9288	BORREGO SPRINGS AIRLINE	210 N. EL CIELO ROAD	PALM SPRINGS	CA
3408	BRENNAN AND HARGRAEVES INC	P O BOX 285	ROCKY HILL	CT
3129	BRITT AIRLINES INC	HULMAN FIELD ROUTE 31 BOX 24	TERRE HAUTE	IN
0584	BURLINGTON AIRWAYS, INC.	P.O. BOX 33	BURLINGTON	WI
0661	CASCADE AIRWAYS INC	BOX 19207 INTERNATIONAL AIRPORT	SPOKANE	WA
0696	CHALKS INTERNATIONAL AIRLINE INC	WATSON IS MACARTHUR CAUSEWAY	MIAMI	FL
0721	CHAUTAUQUA AIRLINES INC	BOX 505	JAMESTOWN	NY
0387	CHECK-AIR INC	4940 SOUTH HOWELL AVE	MILWAUKEE	WI
0735	CHITINA AIR SERVICE INC	BOX 731	CORDOVA	AK
0777	COCHISE AIRLINES INC	P.O. BOX 41450	TUCSON	AZ
0788	COLGAN AIRWAYS CORP	PO BOX 1650	MANASSAS	VA
7526	COMBS AIRWAYS, INC.	3333 QUEBEC STREET, #9200	DENVER	CO
0803	COMBS FREIGHTAIR	*DBA* (SEE KEY 7526) COMBS AIRWAYS, INC.		
0807	COMMAND AIRWAYS INC	DUTCHESS COUNTY AIRPORT	WAPPINGERS FLS	NY
0817	COMMUTER AIRLINES INC	BOX 19-BROOME COUNTY AIRPORT	JOHNSON CITY	NY
0831	COOK INLET AVIATION	BOX 175	HOMER	AK
0840	CORPORATE AIR INC	1 MAXIM RD BRAINARD ARPT	HARTFORD	CT
0861	CROWN AIRWAYS INC	WOOD STREET	BROCKWAY	PA
0870	CUMBERLAND AIRLINES	*DBA* (SEE KEY 9088) NICHOLSON AIR SERVICES		
0930	DELTA AIR SERVICE INC	AIRPORT	EMMONAK	AK
0966	DORADO WINGS INC	BOX 50	DORADO BEACH	PR
1000	EAGLE AVIATION INC	BISHOP AIRPORT	FLINT	MI
1143	FEDERAL EXPRESS CORP	BOX 727	MEMPHIS	TN
1226	FOSTER AVIATION INC	BOX 1023	NOME	AK
1372	GENERAL AVIATION INC	P.O. BOX 3366	GREENEVILLE	TN
7555	GOLDEN CARRIAGE AIRE	*DBA* (SEE KEY 2265) PASO ROBLES FLYING SERVICE		
1360	GREAT WESTERN AIRLINES INC	RT 5 JONES AIRPORT	TULSA	OK
1423	HARBOR AIRLINES INC	P.O. BOX J	OAK HARBOR	WA
1482	HENSON AVIATION INC	BOX 689	HAGERSTOWN	MD
1535	HUB AIR SERVICE INC	BOX 2	MCGRATH	AK
1558	ILIAMNA AIR TAXI	BOX 109	ILIAMNA	AK
1561	IMPERIAL AIRLINES, INC	2210 PALOMAR AIRPORT ROAD	CARLSBAD	CA
1387	ISLE ROYALE SEAPLANE SERVICE	*DBA* (SEE KEY 9147) SHAWANO FLYING SERVICE, INC.		
2707	LAKE POWELL AIR SERVICE	*DBA* (SEE KEY 7481) SKY WEST AVIATION, INC.		
1787	LAWRENCE AVIATION INC	RFD 3	LAWRENCE	KS
1873	MALL AIRWAYS INC	ALBANY COUNTY AIRPORT	ALBANY	NY
1884	MARCO ISLAND AIRWAYS INC	2828 CORAL WAY	MIAMI	FL
1966	METROFLIGHT AIRLINES	P.O. BOX 58608	HOUSTON	TX
2443	MID-SOUTH COMMUTER AIRLINES	P. O. BOX 1301	SOUTHERN PINES	NC
1993	MIDSTATE AIRLINES INC	BOX 277	MARSHFIELD	WI
7550	MISSISSIPPI VALLEY AIRLINES, INC.	LA CROSSE MUNICIPAL AIRPORT	LA CROSSE	WI
2037	MONTAUK CARIBBEAN AIRWAYS, INC/OCEAN REEF AIR	P.O. BOX 2000	SAG HARBOR	NY

DATE BECAME A COMMUTER == (75/12)

9229 NAPLES AIRLINES			
2094 NATIONAL AIR COMMUTER INC			
2120 NEW ENGLAND AIRLINES INC			
9068 NICHOLSON AIR SERVICES			
2265 PASO ROBLES FLYING SERVICE			
2275 PEARSON AIRCRAFT INC			
9866 PERKIOMEN AIRWAYS LTD			
2305 PHILLIPS AIRLINES			
2348 PRECISION AIRLINES			
2377 PROVINCETOWN BOSTON AIRLINE			
2380 PUERTO RICO INTL AIRLINES INC			
2405 RANSOME AIRLINES			
2473 RIO AIRWAYS INC			
2499 ROCKY MOUNTAIN AIRWAYS			
2519 ROSS AVIATION INC			
2533 ROYAL HAWAIIAN AIR SERVICE			
2535 ROYALE AIRLINES INC			
2584 SAN JUAN AIRLINES INC			
2597 SCENIC AIRLINES INC			
2632 SEDALIA-MARSHALL-BOONVILLE STAGE LINE INC			
2637 SEMO AVIATION INC			
9147 SHAWANO FLYING SERVICE, INC.			
7431 SKY WEST AVIATION, INC.			
9510 SOUTH EAST ALASKA AIRLINES INC			
2740 SOUTH PACIFIC ISLAND AIRWAYS INC			
2746 SOUTHEAST SKYWAYS INC			
0363 SOUTHERN JERSEY AIRWAYS INC			
2883 SUN AIRE LINES			
2694 SUNCOAST HELICOPTERS INC			
2914 SWIFT AIRE LINES INC			
3024 TRANS-MO AIRLINES INC			
1521 TRANS-NATIONAL AIRLINES OF HAWAII, INC.			
3139 VIEQUES AIR LINK INC			
3142 VIKING INTERNATIONAL AIRFREIGHT INC			
3148 VIRGIN AIR INC			
3219 WHEELER AIRLINES			
9029 YUKON AIR SERVICE INC			
3301 40-MILE AIR			

DATE BECAME A COMMUTER == (76/01)

3441 AIRPAC AIRLINES INC			
1050 EMPIRE AIRLINES, INC.			
1809 T.A.I.			

DBA (SEE KEY 2377) PROVINCETOWN BOSTON AIRLINE			
6200 SOUTH CICERO		CHICAGO	IL
STATE AIRPORT		WESTERLY	RI
P.O. BOX 1611		CUMBERLAND	MD
PO BOX 1887		PASO ROBLES	CA
FAIRCHILD INTERNATIONAL AIRPORT		PORT ANGELES	WA
P.O. BOX 3634		READING	PA
5814 EAST MICHIGAN BLVD.,		MICHIGAN CITY	IN
SPRING HARTNESS STATE AIRPORT		NORTH SPRINGFIE	VT
MUNICIPAL AIRPORT		NAPLES	FL
INTL AIRPORT		ISLA VERDE	PR
2975 GALLOWAY ROAD		BENSALEM	PA
BOX 636 KILLEEN MUNICIPAL ARPT		KILLEEN	TX
HANGAR NO 6 STAPLETON INTERNATL A/P		DENVER	CO
BOX 9124		ALBUQUERQUE	NM
GATE 4 HONOLULU INT'L AIRPORT		HONOLULU	HI
SHREVEPORT REGIONAL AIRPORT		SHREVEPORT	LA
BOX 487		FRIDAY HARBOR	WA
241 E RENO AVE		LAS VEGAS	NV
1060 EAST NORTHWEST HIGHWAY		GRAPEVINES	TX
BOX 215		MALDEN	MO
248 AIRPORT ROAD		SHAWANO	WI
P.O. BOX T		ST GEORGE	UT
1515 TONGASS		KETCHIKAN	AK
PO BOX 400		PAGO PAGO	AS
2 MARINE WAY ROOM 11		JUNEAU	AK
BADER FIELD AIRPORT		ATLANTIC CITY	NJ
DBA (SEE KEY 9288) BORREGO SPRINGS AIRLINE			
4111 W COLUMBUS DR		TAMPA	FL
BOX W		SAN LUIS OBISPO	CA
BOX 831		JEFFERSON CITY	MO
P.O. BOX 30085		HONOLULU	HI
BOX 487		VIEQUES	PR
7000 34TH AVENUE S		MINNEAPOLIS	MN
P.O. BOX 2788		ST THOMAS	VI
P. O. BOX 1932		RESEARCH TRI PA	NC
BOX 60054		FAIRBANKS	AK
PO BOX 443		VIA TOK	AK

3044 SW 116TH PL		SEATTLE	WA
ONEIDA COUNTY AIRPORT		UTICA-ROME	NY
DBA (SEE KEY 3417) TYEE AIRLINES INC			

DATE BECAME A COMMUTER == (76/01)			
3417 TYEE AIRLINES INC	PO BOX 8331	KETCHIKAN	AK
DATE BECAME A COMMUTER == (76/02)			
3560 OCEAN AIRWAYS INC	P.O. BOX 668	FARMINGDALE	NJ
DATE BECAME A COMMUTER == (76/03)			
9219 PILGRIM AVIATION & AIRLINES, INC	P.O. BOX 1743	NEW LONDON	CT
9286 READING AVIATION SERVICE INC	P.O. BOX 1201	READING	PA
7874 SUBURBAN AIRLINES	*DBA* (SEE KEY 9286) READING AVIATION SERVICE INC		
DATE BECAME A COMMUTER == (76/04)			
1752 LAB FLYING SERVICE INC	BOX 272	HAINES	AK
DATE BECAME A COMMUTER == (76/06)			
1489 HEUSSLER AIR SERVICE CORP	S-3580 LAKE SHORE RD	BUFFALO	NY
DATE BECAME A COMMUTER == (76/08)			
4121 CHAPARRAL AIRLINES INC	BOX 206	ABILENE	TX
4119 FLAMENCO AIR WAYS INC	BOX 235	CULEBRA	PR
DATE BECAME A COMMUTER == (76/09)			
0559 BRITT AIRWAYS INC	RR 3	DANVILLE	IL
DATE BECAME A COMMUTER == (76/10)			
4286 AIR NEBRASKA INC	KEARNEY MUN ARPT RT 1	KEARNEY	NE
0232 ALASKA CENTRAL AIRWAYS INC	PO BOX 60249	FAIRBANKS	AK
4278 EAGLE COMMUTER AIRLINES INC	MUN ARPT PO BOX 1123	BROWNWOOD	TX
DATE BECAME A COMMUTER == (76/11)			
4013 OCEANAIR LINE G OA TRANS COMMUTER AIRLINE	*DBA* (SEE KEY 4004) OCEANAIRE FLIGHT SERVICES, INC		
4004 OCEANAIRE FLIGHT SERVICES, INC	INTERNATIONAL AIRPORT	SAN JUAN	PR
DATE BECAME A COMMUTER == (76/12)			
4493 AERO VIRGIN ISLANDS CORP	PO BOX 546	ST THOMAS	VI
4667 AIR HYANNIS COMMUTER AIRLINES	*DBA* (SEE KEY 9904) HYANNIS AVIATION, INC		

DATE BECAME A COMMUTER == (76/12)

9904 HYANNIS AVIATION, INC	HYANNIS AIRPORT	HYANNIS	MA
3868 PIONEER AIRLINES, INC	HANGAR 5, STAPLETON INT'L AIRPORT	DENVER	CO

DATE BECAME A COMMUTER == (77/01)

3075 AIR US	*DBA* (SEE KEY 9787) US AVIATION INC		
1607 ISLAND AVIATION INC	BOX FG	AGANA	GU
9627 PACIFIC ISLAND AIRWAYS	*DBA* (SEE KEY 1607) ISLAND AVIATION INC		
9787 US AVIATION INC	P.O. BOX 6482	SHERIDAN	WY

DATE BECAME A COMMUTER == (77/02)

4619 AIR CHAPARRAL	*DBA* (SEE KEY 7515) CHAPARRAL AVIATION, INC		
7515 CHAPARRAL AVIATION, INC	1755 EAST PLUMB LANE	RENO	NV

DATE BECAME A COMMUTER == (77/03)

5871 FOX CO., THE	PO BOX 7033	TAMUNING	GU
4572 INLAND EMPIRE AIRLINES INC	1889 MCKINLEY AVENUE	LAVERNE	CA
4431 NOR EAST COMMUTER AIR LINES INC	680 HIGH STREET	WESTWOOD	MA

DATE BECAME A COMMUTER == (77/04)

1111 AIR OREGON INC	P.O. BOX 11332	PORTLAND	OR
9902 BUSINESS AIR CENTER	*DBA* (SEE KEY 6260) KEN HILL AIRCRAFT SERVICE, INC		
4598 COMAIR INC	PO BOX 75021 INT'L AIRPORT	CINCINNATI	OH
6260 KEN HILL AIRCRAFT SERVICE, INC	TUCSON INTERNATIONAL AIRPORT	TUCSON	AZ
1708 KENNEDY AIR SERVICE	PO BOX 485	VALDEZ	AK
9650 PENNSYLVANIA AVIATION INC	WINGS FIELD	BLUE BELL	PA
2296 WINGS AIRWAYS	*DBA* (SEE KEY 9650) PENNSYLVANIA AVIATION INC		

DATE BECAME A COMMUTER == (77/05)

4718 ISLAND AIRLINES HAWAII INC	PO BOX 30406	HONOLULU	HI
1998 MAKAIR INC	OUTGANIE COUNTY	APPLETON	WI

DATE BECAME A COMMUTER == (77/06)

4016 CHRISTMAN AIR SYSTEM	P.O. BOX 776	WASHINGTON	PA

DATE BECAME A COMMUTER == (77/07)

9826 CHARLIE HAMMONDS FLYING SERVICE INC	P.O. BOX 966	HOUMA	LA
0711 HAMMONDS COMMUTER AIR SERVICE	*DBA* (SEE KEY 9826) CHARLIE HAMMONDS FLYING SERVICE I		

DATE BECAME A COMMUTER == (77/07)

9857 INDO-PACIFIC INTERNATIONAL INC	P.O. BOX 6157	TAMUNING	GU
2095 NATIONAL AVIATION	21927 SKYWEST DR	HAYWARD	CA
4941 TRANS MICRONESIAN AIRWAYS	*DBA* (SEE KEY 9857) INDO-PACIFIC INTERNATIONAL INC		

DATE BECAME A COMMUTER == (77/08)

4438 AAA AIR ENTERPRISES INC	PO BOX 19130 EPPLEY AIR FIELD	OMAHA	NE
2880 SUMMIT AIRLINES INC	PHILADELPHIA INTERNATIONAL AIRPORT	PHILADELPHIA	PA
5058 TRANS AIR CARGO INC	PO BOX 924	BRIDGETON	MO

DATE BECAME A COMMUTER == (77/09)

5140 LAKE-STATE AIRWAYS INC	ROUTE 1	NEW ULM	MN
7556 PRINCETON AIRWAYS, INC.	P.O. BOX 485	PRINCETON	NJ
5114 SHAVANO AIR INC	PO BOX 237	PONCHA SPRINGS	CO

DATE BECAME A COMMUTER == (77/10)

0427 RANKAIR COMMUTER AIRLINE	COLUMBIA METROPOLITAN AIRPORT	WEST COLUMBIA	SC

DATE BECAME A COMMUTER == (77/11)

0017 ACADEMY AIRLINES	PO BOX 693	GRIFFIN	GA
4856 AIR EXPRESS INC	PO BOX 8706	GREENSBORO	NC
9006 AIRLINE AVIATION ACADEMY	*DBA* (SEE KEY 0017) ACADEMY AIRLINES		
1998 MIDWEST AIR CHARTER INC	PO BOX 4030	ELYRIA	OH
0540 TOTEM FLIGHT SERVICE INC	*DBA* (SEE KEY 1999) MIDWEST AIR CHARTER INC		

DATE BECAME A COMMUTER == (77/12)

0111 AIR CENTRAL INC	DRAWER 2623	HARLINGEN	TX
3057 SKYFREIGHT	*DBA* (SEE KEY 9688) TROPICS INTL INC		
9688 TROPICS INTL INC	P.O. BOX 520616	MIAMI	FL

DATE BECAME A COMMUTER == (78/01)

1787 LAS VEGAS AIRLINES	PO BOX 15105	LAS VEGAS	NV

DATE BECAME A COMMUTER == (78/02)

9831 TRANS WESTERN AIRLINES OF UTAH INC	PO BOX 3223	LOGAN	UT

DATE BECAME A COMMUTER == (78/03)

5120 AIRWAYS OF NEW MEXICO INC — PO BOX 427 — ALAMOGORDO — NM

DATE BECAME A COMMUTER == (78/04)

0182 GREEN HILLS AVIATION LTD — 113 E WASHINGTON ST SUITE 2 — KIRKSVILLE — MO

DATE BECAME A COMMUTER == (78/05)

0789 GOLD COAST AIRWAYS INC — 701 S W 48TH STREET — FT LAUDERDALE — FL
2125 NEWAIR — TWEED NEW HAVEN AIRPORT — NEW HAVEN — CT

DATE BECAME A COMMUTER == (78/06)

1036 CATALINA AIRLINES INC — PO BOX 207 — SAN PEDRO — CA
3612 DADE AIR CHARTER — *DBA* (SEE KEY 7521) SKYLINE MOTORS AVIATION SERVICES,
2768 DESERT AIRLINES — *DBA* (SEE KEY 7522) SKYLINE MOTORS AVIATION SERVICES,
7521 SKYLINE MOTORS AVIATION SERVICES, INC. — BEAVER COUNTY AIRPORT — BEAVER FALLS — PA

DATE BECAME A COMMUTER == (78/07)

1097 AVIMAR CORPORATION — PO BOX 7043 — NORFOLK — VA
1288 BLUE LINE AIR EXPRESS — *DBA* (SEE KEY 9760) IDEE INDUSTRIES INC
9760 IDEE INDUSTRIES INC — ROUTE 1 — DALLAS — MI
0848 TENNESSEE AIRWAYS INC — KNOXVILLE METRO AIRPORT — ALCOA — TN

DATE BECAME A COMMUTER == (78/08)

9848 AIR NEVADA AIRLINES INC — P.O. BOX 11207 — LAS VEGAS — NV

DATE BECAME A COMMUTER == (78/09)

1031 BIG SKY AIRLINES — P. O. BOX 31397 — BILLINGS — MT
9783 GEM INVESTORS INC — P. O. BOX 1447 — MONTEREY — CA
1724 GOLDEN GATE AIRLINES — *DBA* (SEE KEY 9783) GEM INVESTORS INC
2863 WESTAIR COMMUTER AIRLINES INC — 839 HINCKLEY ROAD — BURLINGAME — CA

DATE BECAME A COMMUTER == (78/10)

0997 EAGLE AIRLINES — *DBA* (SEE KEY 9797) EAGLE AVIATION INC
9797 EAGLE AVIATION INC — 4307 DONALD DOUGHLAS DRIVE — LONG BEACH — CA
1092 MOUNTAIN WEST AIRLINES — 4700 AERONCA ST — BOISE — ID

DATE BECAME A COMMUTER == (78/11)

2716 AIR FLIGHT CHARTER INC	PO BOX 728	HENRIETTA	MD
2495 HAWKINS INC	6500 COYLE AVE	CARMICHAEL	CA
1630 JAMAIRE INC	PO BOX 994	CAMDEN	AR

DATE BECAME A COMMUTER == (78/12)

2576 ATLANTIS AIRLINES INC	PO BOX 3022	MYRTLE BEACH	SC
7011 CAPE SMYTHE AIR SERVICE INC	PO BOX 549	BARROW	AK
2561 EAST HAMPTON AIRE INC	PO BOX CCC	EAST HAMPTON	NY
7993 SCOTTSDALE CHARTER, INC.	15115 N. AIRPORT DRIVE	SCOTTSDALE	AZ
0514 SIMMONS AIRLINES	MARQUETTE COUNTY AIRPORT	NEGAUNEE	MI
3862 SUN WEST AIRLINES	*DBA* (SEE KEY 7993) SCOTTSDALE CHARTER, INC.		

DATE BECAME A COMMUTER == (79/01)

2778 AIR NEW ENGLAND, INC.	LOGAN INTERNATIONAL AIRPORT	BOSTON	MA
2645 AIRSPEED HAWAII, LTD	P.O. BOX 29428	HONOLULU	HI
2717 AMERICAN INTER-ISLAND INC	PO BOX 1409 KINGSHILL	ST CROIX	VI
3433 CORPORATE AIR SERVICES INC	TANGLEWOOD DR RD 4 BOX 387	QUARRYVILLE	PA
7520 CUTHRON AVIATION	5104 SOUTH COLLINS RT 3	ARLINGTON	TX
2871 METROPLEX AIRLINES INC	LOC. 23 NORTH MEACHAM FIELD	FT. WORTH	TX

DATE BECAME A COMMUTER == (79/02)

0705 AIR VECTORS AIRWAYS	PO BOX 6007 STEWART AIRPORT	NEWBURGH	NY
2835 AIR VIRGINIA	*DBA* (SEE KEY 7505) FLIGHT AMERICA, INC		
7505 FLIGHT AMERICA, INC	P.O. BOX 10065	LYNCHBURG	VA

DATE BECAME A COMMUTER == (79/03)

1399 GULL AIR INC	BARNSTABLE MUNICIPAL APRT	HYANNIS	MA
3048 VIKING EXPRESS INC	MIDWAY AIRPORT 5245 W 55 ST	CHICAGO	IL

DATE BECAME A COMMUTER == (79/04)

3145 ATLANTIC SOUTHEAST AIRLINES	535 CENTRAL AVENUE	HAPEVILLE	GA
2593 ROEDERER AVIATION INC	SPIRIT OF ST LOUIS ARPT BOX 274	CHESTERFIELD	MO

DATE BECAME A COMMUTER == (79/05)

0307 AERO TRANSIT INCORPORATED	213 BOEING FIELD TERMINAL	SPOKANE	WA
3306 AIR BAHIA	LINDBERGH FIELD	SAN DIEGO	CA
2069 ARKANSAS TRAVELER AIRLINE	*DBA* (SEE KEY 7624) MOUNTAIN HOME AIR SERVICE, INC.		
9073 CENTRAL AIR CHARTER	*DBA* (SEE KEY 0676) CENTRAL AIRLINES INC		

DATE BECAME A COMMUTER -- (79/05)

0676 CENTRAL AIRLINES INC	3301 FAIRFAX TRAFFICWAY	KANSAS CITY	KS
4051 MID-AMERICA AIRWAYS INC	5201 SOUTH HAMPTON ROAD	DALLAS	TX
7674 MOUNTAIN HOME AIR SERVICE, INC.	P.O. BOX 267	MIDWAY	AR
4936 SEAPLANE SHUTTLE TRANSPORT, INC	80 RIVERSIDE DRIVE	NEW YORK	NY
3248 TWIN-BAY AVIATION INC	4415 N GRAND RIVER AVE	LANSING	MI

DATE BECAME A COMMUTER -- (79/06)

7503 AIR CARGO ENTERPRISES, INC.	P.O. BOX 30248	HONOLULU	HI
0088 AIR DISTRIBUTION	*DBA* (SEE KEY 7503) AIR CARGO ENTERPRISES, INC.		
0285 AMERICAN FLAG AIRLINES INC	200 SE 6TH ST RM 603-A	FT LAUDERDALE	FL
3315 COURIER WINGS, INC.	579 WESTVIEW CENTER	WACO	TX
3342 DANIEL T DAVIS	BOX 552	WORLAND	WY
2944 HOLIDAY AIRLINES INC	NEWARK INTERNATIONAL AIRPORT	NEWARK	NJ
3327 SABER AVIATION INC	3840 AIRPORT DRIVE	CHARLOTTE	NC
6144 STOPHER MECHANICAL INC.	P.O. BOX 32109	SAN ANTONIO	TX
3080 UNION FLIGHTS	6273 FREEPORT BLVD	SACRAMENTO	CA
3251 WILL'S AIR	PO BOX 596	EAST FALMOUTH	MA

DATE BECAME A COMMUTER -- (79/07)

0342 AERO CONTINENTAL INTERNATIONAL INC	PO BOX 42151 DETROIT MET APRT	DETROIT	MI
0517 ARUKA AVIATION INC	2289 COUNTY ROAD J	MINNEAPOLIS	MN
3864 ASPEN AIRWAYS INC	HGR 5 STAPLETON INTERNAT'L AIRPORT	DENVER	CO
5304 CHARTAIR	*DBA* (SEE KEY 7516) DARRYL D. & BETTY I. SHEWMAKER		
0783 COKER AVIATION INC	3114 S GREAT SOUTHWEST PARKWAY	GRAND PRAIRIE	TX
7516 DARRYL D. & BETTY I. SHEWMAKER	1403 NORTHERN BLVD..	SAN ANTONIO	TX
7522 DESERT AIR SERVICE, INC.	*DBA* (SEE KEY 00213) NORTHERN EAGLE AIRWAYS INC		
1141 FEDERAL ARMORED SERVICE INC	4360 STAFFORD SW	WYOMING	MI
3746 JERDON AIR SERVICE, INC	P.O. BOX 2078	ARDMORE	OK
0070 NORTHERN EAGLE AIRWAYS INC	RT 3 REGIONAL AIRPORT	THIEF RIVER FLS	MN
3725 PENNSYLVANIA COMMUTER AIRLINES INC	PO BOX 432 HARRISBURG INT'L AIRPORT	MIDDLETOWN	PA
9133 SUNBIRD, INC.	MURRAY-CALLOWAY COUNTY AIRPORT	MURRAY	KY

DATE BECAME A COMMUTER -- (79/08)

3924 P S AIR FREIGHT INC	5231 CANOAS DRIVE	AGOURA	CA
6677 WALKERS CAY AIR TERMINAL	700 SW 34TH STREET	FT LAUDERDALE	FL
3294 ZANTOP AIRWAYS INC	DETROIT METRO APRT	DETROIT	MI

DATE BECAME A COMMUTER -- (79/09)

7566 JERRY'S AVIATION, INC.	P.O. BOX 296	NEDERLAND	TX
1996 MIDWAY AVIATION	LOCATION 15 SOUTH-MEACHAM FIELD	FORT WORTH	TX

DATE BECAME A COMMUTER == (79/09)

1643 SOUTH COAST AIRWAYS	*DBA* (SEE KEY 7566) JERRY'S AVIATION, INC.		
3314 SUNBIRD AIRLINES INC	P.O. BOX 488	DENVER	CO

DATE BECAME A COMMUTER == (79/10)

3415 CLINTON AERO CORPORATION	BOX 367 CLINTON CTY APRT	PLATTSBURGH	NY
6397 CORAL AIR INC	P.O. BOX 3260-CHRISTIANSTED	ST. CROIX	VI
3091 SHASTA AIR INC	PO BOX 1126	YREKA	CA

DATE BECAME A COMMUTER == (79/11)

5391 GLASS, JEFFREY L.	16700 ROSCOE BLVD	VAN NUYS	CA
6389 MAGNUM AIRLINES	*DBA* (SEE KEY 5391) GLASS, JEFFREY L.		
6219 MID PACIFIC AIRLINES, INC	P.O. BOX 30843	HONOLULU	HI
7056 VALDEZ AIRLINES	P.O. BOX 6714	ANCHORAGE	AK

DATE BECAME A COMMUTER == (79/12)

2202 ARIZONA PACIFIC AIRLINE	5191 LAS VEGAS BLVD., SOUTH	LAS VEGAS	NV
6458 CAL SIERRA AIRLINES	1273 SCOTT STREET	SAN DIEGO	CA
7514 CENTURY AIRLINES, INC.	4104 JACOBS AVENUE	EUREKA	CA
3437 OFSEKT PACIFIC AIRLINES INC	PO BOX 1663	SEDONA	AZ
7553 MARCUS, ROBERT U.	ROUTE 1 BOX 3147	OMAK	WA
6404 OMAK AVIATION	*DBA* (SEE KEY 7553) MARCUS, ROBERT U.		
2335 PONDEROSA AVIATION, INC	PO BOX 269	TAYLOR	AZ
6375 TRANS-MICHIGAN AIRLINES, INC	4093 WEST MAPLE	BIRMINGHAM	MI

DATE BECAME A COMMUTER == (80/01)

5634 A A C - ACTION AIR CARRIERS INC	P O BOX 2253	SCOTTSDALE	AZ
1135 AIR TOURS, INC	4531 EMPIRE AVENUE	BURBANK	CA
0183 AIR TRAILS INC	37 MORTENSEN AVE MUNICIPAL APRT	SALINAS	CA
9392 DECATUR AVIATION INC	BOX 990-DECATUR AIRPORT	DECATUR	IL
3945 PACIFIC NATIONAL AIRWAYS	*DBA* (SEE KEY 1135) AIR TOURS, INC		
2974 THORSON AVIATION	REGIONAL AIRPORT	ABERDEEN	SD
6817 WESTERN STAR AIRLINES, INC	2260 AIRPORT BLVD.,	SANTA ROSA	CA
3760 WINGS WEST INC	3219 AIRPORT AVE	SANTA MONICA	CA

DATE BECAME A COMMUTER == (80/02)

6764 AIR MIDWEST, INC.	20 WEST-MID-CONTINENT AIRPORT	WICHITA	KS
1063 EVANSTON AVIATION, INC.	STAR RT 2 BOX 141	EVANSTON	WY
6752 FREEDOM AIRLINES, INC.	GATE-55-CLEVELAND HOPKINS INT'L AIR	CLEVELAND	OH
7576 MELVIN E. ROMANS	P.O. BOX 450	SANFORD	FL

[illegible] A COMMUTER == (80/02)

6771 MID-FLORIDA AVIATION, INC.	*DBA* (SEE KEY 7576) MELVIN E. ROMANS		
6756 ORION AIR, INC.	P.O. BOX 2809, SUITE 200	CHAPEL HILL	NC
0107 TRANS-CENTRAL AIRLINES, INC.	BOX 32277	OKLAHOMA CITY	OK
4032 TRANS-ISLAND AIRWAYS INC	PO BOX 501	DANIA	FL
3174 VEE NEAL AIRLINES	RD 1 BOX 397	LATROBE	PA

DATE BECAME A COMMUTER == (80/03)

6034 AIR CHICO CORPORATION	P.O. BOX 571	CHICO	CA
4742 EMMET COUNTY AVIATION	*DBA* (SEE KEY 7622) SMITH, ROBERT J.		
1766 MID-CONTINENT AIRLINES, INC.	R.R. 3	DUBUQUE	IA
7622 SMITH, ROBERT J.	709 PINE HILL DRIVE	HARBOR SPRINGS	MI
7607 SOUTHERN SEAPLANE INC	=1 COQUILLE DRIVE	BELLE CHASSE	LA
4319 SOUTHERN SKIES COMMUTER COMPANY	*DBA* (SEE KEY 7607) SOUTHERN SEAPLANE INC		
6984 SUN VALLEY AVIATION	1055 REASER LANE	RAMONA	CA

DATE BECAME A COMMUTER == (80/04)

6985 B & M AVIATION INDUSTRIES, INC.	P. O. BOX 10251-LAMBERT FIELD	ST. LOUIS	MO
0495 BIGHORN AIRWAYS INC	BOX 4037	SHERIDAN	WY
0891 DANBURY AIRWAYS INC	49 MIRY BROOK ROAD	DANBURY	CT
7226 EXECUTIVE AIR CORPORATION	6339 EAST EXETER BLVD.,	SCOTTSDALE	AZ
1101 EXECUTIVE AVIATION INC. OF DETROIT	9999 FRENCH ROAD	DETROIT	MI
4343 EXECUTIVE TRANSPORTATION SERVICES, INC	1805 MCKINLEY WAY	LA VERNE	CA
1645 FLORIDA COMMUTER AIRLINES	*DBA* (SEE KEY 7968) SCHEERER AIR, INC.		
6297 JAMES AVIATION, INC	P.O. BOX 375	GUYMON	OK
7091 KEY WEST AIRLINES, INC.	4240 N. W. THIRD WAY	BOCA RATON	FL
4286 LAKELAND AVIATION	107 OAKLAND AVENUE	SHELL LAKE	WI
7968 SCHEERER AIR, INC.	BLDG. S-474 DUNCAN AVENUE	WEST PALM BEACH	FL
7074 SFO HELICOPTER AIRLINES, INC	43100 CHRISTY STREET	FREMONT	CA
7144 TRANS-STATE AIR	*DBA* (SEE KEY 4343) EXECUTIVE TRANSPORTATION SERVICES		
5742 TRI-STATE FLITE SERVICES INC	DUBUQUE MUNICIPAL AIRPORT	DUBUQUE	IA
7175 VALLEY AIR SERVICE, INC.	11840 LOCKRIDGE AVENUE	HASTINGS	MN

DATE BECAME A COMMUTER == (80/05)

7361 AIR SIERRA	*DBA* (SEE KEY 7385) WESTERN CHARTER, INC.		
0199 AIR-LIFT ASSOCIATES INC	PO BOX 173 RALEIGH-DURHAM AIRPORT	MORRISVILLE	NC
7373 ALL SEASONS AIR PACIFIC, INC.	2801 EAST SPRING STREET	LONG BEACH	CA
0058 CARRIBA AIR, INC.	P. O. BOX 3928	CAROLINA	PR
0270 DAUPHIN ISLAND AIRWAYS	*DBA* (SEE KEY 0272) WATTS, JOHN T.		
1605 DICKINSON AIR SERVICE, INC.	P. O. BOX 488	DICKINSON	ND
0415 ROYAL AMERICAN AIRWAYS, INC.	P. O. BOX 1504	FAYETTEVILLE	AR
2682 SILVER STATE AIRLINES, INC.	5030 PARADISE RD C-208	LAS VEGAS	NV

DATE BECAME A COMMUTER == (80/05)

7340 SUN INTERNATIONAL AIRWAYS	SAN JUAN AIRPORT	ISLA VERDA	PR
0272 WATTS, JOHN T.	1115 DAUPHIN STREET	MOBILE	AL
7385 WESTERN CHARTER, INC.	5175 EAST CLINTON AVENUE	FRESNO	CA

DATE BECAME A COMMUTER == (80/06)

0976 CHINO JET SERVICES, INC.	P.O. BOX 4014	DIAMOND BAR	CA
9087 COLORADO RIVER INDIAN TRIBES	ROUTE 1 BOX 238	PARKER	AZ
	DBA (SEE KEY 9087) COLORADO RIVER INDIAN TRIBES		
0856 CRIT AIR	HULMAN FIELD	TERRE HAUTE	IN
4548 H & D AVIATION INC	*DBA* (SEE KEY 0977) CHINO JET SERVICES, INC.		
9741 PFT ENTERPRISES	*DBA* (SEE KEY 0507) VIRGINIA S. RICHARDSON		
0504 RICHARDSON AVIATION	PO BOX 20037	RENO	NV
3447 SIERRA EXPRESS INC	PO BOX 4324	KENAI	AK
0302 SOUTHCENTRAL AIR, INC.	5500 NW 21ST TERRACE	FT. LAUDERDALE	FL
0538 SUN AIR INTERNATIONAL	*DBA* (SEE KEY 4548) H & D AVIATION INC		
1975 TERRE HAUTE AIR COMMUTER	P. O. BOX 9014	YAKIMA	WA
0507 VIRGINIA S. RICHARDSON			

DATE BECAME A COMMUTER == (80/07)

6775 AERONAVES BORINQUENA, INC	BOX 119, BLDG., 405	RAMEY	PR
1839 ALPINE AIRWAYS	*DBA* (SEE KEY 1843) ALPINE AVIATION CORPORATION		
1843 ALPINE AVIATION CORPORATION	5181 FALCON ROAD	ROCKFORD	IL
4008 ASTEC AIR EAST, INC.	186 GRAND CENTRAL AVENUE	AMITYVILLE	NY
1484 CARIBBEAN INTERNATIONAL AIRLINES, INC.	176 CALLE SAN JORGE-FOURTH FLOOR	SANTURCE	PR
0825 CONNIE KALITTA FLYING SERVICE	WILLOW RUN APRT BOX 842	YPSILANTI	MI
7887 DONALD A. DOYLE	3726 WEST MONTROSE	CHICAGO	IL
7334 FRENCH-BOWEN, INC.	INDUSTRIAL AIRPARK	HARLINGEN	TX
1523 NEW YORK HELICOPTER CORPORATION	ISLAND HELIPORT-NORTH AVENUE	GARDEN CITY	NY
1829 PRINCEVILLE AIRWYS, INC	COMMUTER AIRLINE TERMINAL	HONOLULU	HI
2376 PROVIDENCE AIRLINE CORPORATION	BLDG = 61 WASP ST	DAVISVILLE	RI
7087 SOUTHERN NEVADA AIRLINES	241 EAST RENO AVENUE ROOM 15	LAS VEGAS	NV
5302 VASI AIR EXPRESS	*DBA* (SEE KEY 7887) DONALD A. DOYLE		
3292 YOUNG FLYING SERVICE INC	*DBA* (SEE KEY 7334) FRENCH-BOWEN, INC.		

DATE BECAME A COMMUTER == (80/08)

6266 AIR CARGO AMERICA, INC	P. O. BOX 52-3537	MIAMI	FL
4612 AIR CORTEZ	*DBA* (SEE KEY 7650) S.A.S. INC.		
2476 AIR SOUTH, INC	P.O. BOX 8830	MOBILE	AL
9446 ALLEGHENY COMMUTER	*DBA* (SEE KEY 2329) PLANES INC		
2360 ANTOINE AVIATION, INC	250 WEST 43RD STREET	NEW YORK	NY
4944 BAHAMAS CARIBBEAN AIRLINES, INC	22500 SW 288TH STREET	HOMESTEAD	FL
6760 DML AIRLINES, INC	18000 PACIFIC HWY SOUTH-SUITE 511	SEATTLE	WA

DATE BECAME A COMMUTER == (80/08)

1059 ERIE AIRWAYS INC	INTERNATIONAL AIRPORT	ERIE	PA
2553 GEM AIRLINES, INC	P.O. BOX 1209	HAYDEN LAKE	ID
3209 MILLER AIR TRANSPORTERS, INC	P.O. BOX 22551	JACKSON	MS
9267 PACIFIC PIPER AVIATION	*DBA* (SEE KEY 2555) GEM AIRLINES, INC		
2326 PLANES INC	P.O. BOX 13731 STATION K	ATLANTA	GA
7203 RAYMOND E. RICHARDSON	2660 JOHN MONTGOMERY DRIVE	SAN JOSE	CA
2419 RED CARPET AIRLINES INC	ST PETE-CLEARWATER AIRPORT	CLEARWATER	FL
6378 RICHARDSON AVIATION	*DBA* (SEE KEY 7203) RAYMOND E. RICHARDSON		
7650 S.A.S. INC.	422 SOUTH WALKER	ONTARIO	CA
3857 SHAWNEE AIRLINES, INC	*DBA* (SEE KEY 4944) BAHAMAS CARIBBEAN AIRLINES, INC		
2355 TRANS NEW YORK	*DBA* (SEE KEY 2360) ANTOINE AVIATION, INC		
1962 VIKING AVIATION INC	PO BOX 1163	MINDEN	NV
0405 WESTERN SUN AVIATION INC	2025 N MARSHALL AVE	EL CAJON	CA

DATE BECAME A COMMUTER == (80/09)

6457 ARIZONA AERO CORPORATION	PO BOX 2019	SIERRA VISTA	AZ
3916 GOLDEN AIRWAYS	*DBA* (SEE KEY 6457) ARIZONA AERO CORPORATION		
3216 MESA AVIATION SERVICES INC	PO BOX 89	FARMINGTON	NM
3779 MITCHELL'S FLIGHT SCHOOL	118 WINCHESTER STREET	BROOKLINE	MA
1324 NEVADA COUNTY AVIATION	PO BOX M	GRASS VALLEY	CA
2333 POMPANO AIR TAXI INC & POMPANO AIRWAYS	5500 NW 21 STREET TERR.	FT. LAUDERDALE	FL
3543 SOUTHWEST AIRLIFT	3825 ANDERSON AVENUE	ALBUQUERQUE	NM

DATE BECAME A COMMUTER == (80/10)

4131 AIR AMERICA INTERNATIONAL, INC	2600 SW 15TH COURT	FT. LAUDERDALE	FL
0125 AIR EXCHANGE INC	8435 DIRECTORS ROW	DALLAS	TX
1035 AIR TEXANA, INC	P.O. BOX 1192	BEAUMONT	TX
0268 ALYESKA AIR SERVICE INC	1000 MERRILL FIELD DRIVE	ANCHORAGE	AK
7064 BELLAIR, INC	475 KATLIAN STREET	SITKA	AK
0502 BIRD LEASING INC	P.O. BOXC 146	N. ANDOVER	MA
3953 COMMUTER AIRLINES OF COLORADO, INC	P.O. BOX 868	CRESTED BUTTE	CO
3969 EAST COAST AIRWAYS	REPUBLIC AIRPORT-GATE 2	FARMINGDALE	NY
5867 FLOWAIRE INC	100 WEST SHARP	ELDORADO	AR
1240 FREDERICK AVIATION	MUNICIPAL AIRPORT	FREDERICK	MD
5015 G W TAYLOR	RT 1	LOUISBURG	MO
6070 MIDWEST AVIATION	RR 4 BOX 16-C	MARSHALL	MN
6470 NORTHERN AIRLINES INC	PO BOX 417	VINEYARD HAVEN	MA
4072 SAMOAN AIRLINES, INC	P.O. BOX PPB PAGO PAGO	AMERICAN SAMOA	
3928 TRANS AERO AIRLINES	*DBA* (SEE KEY 5015) G W TAYLOR		
3952 TRANS-COLORADO AIRLINES, INC	*DBA* (SEE KEY 3953) COMMUTER AIRLINES OF COLORADO, I		
4054 WESTERN STATES EXPRESS, INC	5410 WEST IMPERIAL HWY NO. 301	LOS ANGELES	CA

DATE BECAME A COMMUTER == (80/11)

5715 AIR CHARTER SERVICES INC	MANSFIELD MUNICIPAL AIRPORT	MANSFIELD	MA
4486 DIRECT AIR, INC	3605 E. CO. ROAD, 400 N	KOKOMO	IN
4307 ECONO-FLIGHT, INC	7415 S.W. HART PLACE	BEAVERTON	OR
2317 PINEHURST AIRLINES INC	DONALDSON A P TERMNL RD BLDG 1044	PINEHURST	NC
3910 ROYAL WEST AIRWAYS, INC.	1200 THIRD AVENUE, SUITE 1200	DAN DIEGO	CA

DATE BECAME A COMMUTER == (80/12)

4866 AIR KENTUCKY AIR LINES, INC	P.O. BOX 901	OWENSBORO	KY
7228 AVIATION ACTIVITIES CORPORATION	P. O. BOX 264	OPA-LOCKA	FL
6540 CHOI AVIATION	*DBA* (SEE KEY 7457) CHOI, GEORGE		
7457 CHOI, GEORGE	900 AIRPORT DRIVE	WADSWORTH	OH
0694 CONN AIRE INC	PO BOX 17656 METRO AIRPORT	NASHVILLE	TN
4646 GARLINES, INC	1126 MEDFORD	TOPEKA	KS
6539 HAROLD W. SMITH	1711 COMANCHE DRIVE	HARKER HEIGHTS	TX
9402 LARON ENTERPRISES INC	145 JOHN GLENN DRIVE	CONCORD	CA
1051 MID-AMERICA AIR CARGO, INC.	109 ROBERTS STREET	FARGO	ND
4734 MURNANE AVIATION	PO BOX 10185	ASPEN	CO
2104 NAVAJO AVIATION	*DBA* (SEE KEY 9402) LARON ENTERPRISES INC		
4561 NAVCO AVIATION, INC	3865 WASATCH BLVD., NO.102	SALT LAKE CITY	UT
4537 PRIORITY AIR FREIGHT CO	15TH & LAKE SHORE DR.-MEIGS FIELDS	CHICAGO	IL

DATE BECAME A COMMUTER == (81/01)

9449 AERO JET INC	*DBA* (SEE KEY 0053) PETRO AVIATION CORPORATION		
2285 AIR ATLANTIC AIRLINES INC	BOX 337	CENTRE HALL	PA
4876 AIR LINK CORP	2200 AIRWAY AVENUE	FT. COLLINS	CO
3630 AIR POLYNESIA INC.	104-C LAGOON DRIVE	HONOLULU	HI
5073 CREW AVIATION, INC	882 BENGAL ROAD	NEENAH	WI
3506 DHL CARGO	*DBA* (SEE KEY 3630) AIR POLYNESIA INC.		
9767 EMERALD AIR INC	959 REINLI-SUITE 101	AUSTIN	TX
1413 EMERALD AIRLINES	*DBA* (SEE KEY 9767) EMERALD AIR INC		
4873 JONES, IRVIN	1 AIRPORT DRIVE	OAKLAND	CA
1701 KEENE AIR SERVICE INC	DILLANT HOPKINS ARPT	KEENE	NH
4992 PACIFIC CAL AIR, INC	*DBA* (SEE KEY 4873) JONES, IRVIN		
0053 PETRO AVIATION CORPORATION	4155 E. JEWELL AVENUE, SUITE 516	DENVER	CO
2977 THUNDERBIRD AVIATION INC	5100 EDEN AVENUE	MINNEAPOLIS	MN

DATE BECAME A COMMUTER == (81/02)

4354 ACE AIR CARGO EXPRESS, INC	CLEVELAND-HOPKINS AIRPORT	CLEVELAND	OH
3096 AIR OLYMPIA	*DBA* (SEE KEY 5404) VAGABOND AVIATION INC		
6477 AIRCRAFT SPECIALTIES INC	101 EAST RESERVE	VANCOUVER	WA
6146 ASAP AIR INC	8650 CARDINAL LANE	FT. WORTH	TX

DATE BECAME A COMMUTER == (81/02)

0467 BEMIDJI AVIATION SERVICES INC	BOX 624	BEMIDJI	MN
4327 CARIBBEAN HELICOPTER AIRWAYS, INC	P.O. BOX 9710	CHARLOTTE AMALI	VI
5413 CEN-TEX AIRLINES, INC	308 NORTH BROADWAY	BROWNWOOD	TX
5362 CENTENNIAL AIRLINES	1424 PALMER DRIVE	LARAMIE	WY
0719 CHARTER FLIGHTS INC	6225 34TH AVE SOUTH	MINNEAPOLIS	MN
5336 COPPER STATE AIRLINES	966 CORDOVA	DOUGLAS	AZ
0836 CORNELL AVIATION CORP	WARRINGTON AIRPORT	WARRINGTON	PA
1838 CORPORATE JET AVIATION INC	1951 AIRPORT RD	ATLANTA	GA
0850 COURTESY AIR SERVICE INC	P.O. BOX 561	GLENS FALLS	NY
7625 DOWDLE, J.W.	AIR TERMINAL, LINDBERGH FIELD	SAN DIEGO	CA
5756 G P AIR INC	3020 WESTSIDE	GRAND ISLAND	NE
9227 INTERNATIONAL TRANSFER CORP	P.O. BOX 593213	MIAMI	FL
5345 LIBERTY AIRLINES, INC	P.O. BOX 302	SWANTON	OH
9681 MARC-REID ENTERPRISES INC	2111 SMITHTOWN AVENUE	RONKONKOMA,	NY
5801 METRO AIR	*DBA* (SEE KEY 9681) MARC-REID ENTERPRISES INC		
5361 MICHIANA AIRLINES, INC	MICHIANAREGIONAL AIRPORT	SOUTH BEND	IN
9720 NASCO LEASING CO	*DBA* (SEE KEY 0467) BEMIDJI AVIATION SERVICES INC		
6037 NEW YORK AIR	*DBA* (SEE KEY 5356) STARFLITE INT'L AIRLINES/NANTUCKI		
5415 OMEGA AIRWAYS, INC	2438 EAST BROADWAY	TUCSON	AZ
4492 PIASA COMMUTER AIRLINES, INC	4302 EDMUNNDSON ROAD	ST. LOUIS	MO
2362 PRO AIR SERVICES	*DBA* (SEE KEY 9227) INTERNATIONAL TRANSFER CORP		
5356 STARFLITE INT'L AIRLINES/NANTUCKET FLIGHT SER	GATE 1 REPUBLIC AIRPORT	FARMINGDALE	NY
2913 SWIFT AIR SERVICE & CATALINA VEGAS AIRLINES	*DBA* (SEE KEY 7625) DOWDLE, J.W.		
4479 TRANSPORTATION EXPEDITORS INC	PO BOX 411	BROOMFIELD	CO
5404 VAGABOND AVIATION INC	7825 OLD HIGHWAY 99 S.E.	OLYMPIA	WA

DATE BECAME A COMMUTER == (81/03)

5025 WILLIAMS AIR, INC	190 CAYUSE TRAIL	MEDFORD LAKES	NJ
5053 WILLIAMS AVIATION	*DBA* (SEE KEY 5025) WILLIAMS AIR, INC		

COMMUTER CARRIERS STARTING/TERMINATING SERVICE

Question: Please provide for the record a report showing:

(c) Indicate the number of firms discontinuing service in the last two years. Indicate the number beginning service.

Answer: During the period from January 1, 1979 to date, 85 commuters discontinued all service. During the same period 231 commuters began service.

SECTION 406 SUBSIDY BY POINT, BY CARRIER

Question: For each airline receiving section 406 subsidy, show the cities served by that airline that are classified as receiving section 406 subsidy. Since you regularly reduce the section 406 subsidy when a carrier suspends service at a city for which it receives section 406 subsidy, provide the amount of section 406 subsidy that is now being paid for each city.

Answer: The following list shows annual section 406 subsidy per point based on the most recent subsidy rate review. In addition, each carrier's points are ranked by the size of total daily enplanements.

Subsidy by Carrier by Enplanement Level, Class Rate Carriers

	Enplanements per Day			
	Over 100	Between 40 and 100	Under 40	Total
Frontier Airlines	$8,365,116	$7,924,586	$6,505,618	$22,795,320
Ozark Air Lines	5,480,322	4,843,602	2,761,754	13,085,678
Piedmont Aviation	5,688,967	1,763,615	856,393	8,308,975
Republic West	5,541,103	2,801,225	-	8,342,328
Republic	$14,569,397	$7,860,588	$11,787,170	$34,217,155
Total	$39,644,905	$25,193,616	$21,910,935	$86,749,456

Subsidy-Eligible Points and Subsidy
Republic Airlines, Inc.

		Subsidy	Daily Enplanements
Over 100 Enplanements per Day			
1.	Kalamazoo, MI.	$ 852,575	427
2.	Monroe, LA.	683,654	330
3.	Eglin, FL.	487,042	316
4.	Grand Forks, ND.	848,749	292
5.	Wausau, WI.	923,714	282
6.	Sioux City, IA.	627,763	277
7.	Traverse City, MI.	552,854	269
8.	Muskegon, MI.	998,504	224
9.	Gulfport, MS.	727,300	211
10.	Panama City, FL.	373,102	201
11.	Dothan, AL.	494,139	199
12.	Minot, ND.	704,897	194
13.	Oshkosh, WI.	931,340	193
14.	Albany, GA.	619,012	188
15.	La Crosse, WI.	242,478	181
16.	Columbus, MS.	694,961	137
17.	Marquette, MI.	361,636	119
18.	Pierre, SD.	641,128	109
19.	Eau Claire, WI.	685,815	109
20.	Aberdeen, SD.	1,054,294	105
21.	Benton Harbor, MI.	600,357	103
22.	Meridian, MS.	464,083	114
	Subtotal	$14,569,397	
Between 40 and 100 Enplanements per Day			
23.	Watertown, SD.	$ 962,201	45
24.	Rhinelander, WI.	457,531	81
25.	Escanaba, MI.	749,701	60
26.	Hancock/Houghton, MI.	400,180	76
27.	Iron Mountain, MI.	692,654	49
28.	Pellston, MI.	494,211	90
29.	Bemidji, MN.	513,425	59
30.	Tuscaloosa, AL.	460,216	83
31.	Brainerd, MN.	567,642	43
32.	Greenville, MS.	520,500	86
33.	Valdosta, GA.	3.2,157	79
34.	Laurel/Hattiesburg, MS.	471,965	65
35.	Muscle Shoals/Florence, AL.	558,301	59
36.	Hibbing/Chisholm, MN.	639,904	86
	Subtotal	$7,860,588	
Less than 40 Enplanements per Day			
37.	Manistee, MI.	$ 296,588	8
38.	Manitowoc, WI.	617,877	20
39.	Mankato, MN.	473,467	18
40.	Menominie/Marinette, MI.	602,152	30
41.	Mitchell, SD.	543,093	12
42.	Norfolk, NE.	538,335	21
43.	Worthington, MN.	532,224	9
44.	Yankton, SD.	533,423	17
45.	Brookings, SD.	495,891	8
46.	Alpena, MI.	557,870	37

Subsidy-Eligible Points and Subsidy
Republic Airlines, Inc.

		Subsidy	Daily Enplanements
47.	Ironwood, MI.	504,927	32
48.	Sault Ste. Marie, MI.	288,552	36
49.	International Falls, MN.	366,767	34
50.	Thief River Falls, MN.	380,755	38
51.	Devils Lake, ND.	246,014	18
52.	Fairmont, MN.	388,719	17
53.	Jackson, MI.	689,663	24
54.	Greenwood, MS.	258,325	4
55.	University/Oxford, MS.	491,099	3
56.	Moultrie/Thomasville, GA.	427,867	8
57.	Tupelo, MS.	612,677	30
58.	Gadsen, AL.	407,749	10
59.	Janesville/Beloit, WI.	491,826	15
60.	Huron, SD.	335,520	20
61.	Jackson, TN.	705,790	33
	Subtotal	$11,787,170	
	Grand Total	$34,217,155	

Subsidy-Eligible Points and Subsidy,
Frontier Airlines, Inc.

Over 100 Enplanements per Day		Subsidy	Daily Enplanements
1.	Ft. Smith, AR.	$1,149,149	220
2.	Minot, ND.	717,787	193
3.	Durango, CO.	464,849	179
4.	Joplin, MO.	625,239	179
5.	Jackson, WY.	442,148	166
6.	Topeka, KS.	1,058,536	141
7.	Lawton/Ft. Sill, OK.	814,368	132
8.	Kalispell, MT.	124,640	131
9.	Farmington, NM.	1,237,394	131
10.	Grand Island, NE.	835,212	130
11.	Fayetteville, AR.	895,794	143
	Subtotal	$8,365,116	
Between 40 and 100 Enplanements per Day			
12.	Cheyenne, WY.	$ 764,897	96
13.	Manhattan, KS.	654,874	56
14.	Pueblo, CO.	926,305	85
15.	Rock Springs, WY.	813,847	80
16.	Scottsbluff, NE.	737,287	86
17.	Gunnison, CO.	507,527	75
18.	North Platte, NE.	1,026,751	73
19.	Riverton/Lander, WY.	344,519	60
20.	Salina, KS.	870,335	70
21.	Laramie, WY.	648,079	46
22.	Montrose, CO.	630,165	28
	Subtotal	$7,924,586	

	Subsidy	Daily Enplanements
Under 40 Enplanements per Day		
23. Lovell/Powell/Cody, WY.	$ 396,237	38
24. Cortez, CO.	424,151	28
25. Ft. Leonard Wood, MO.	705,878	23
26. Gallup, NM.	752,920	31
27. Harrison, AR.	577,885	27
28. Hayden/Steamboat Springs/Craig, CO.	702,235	40
29. Liberal, KS.	906,059	40
30. Vernal, VT.	833,498	25
31. Worland, WY.	441,554	22
33. Alamosa, CO.	765,201	28
Subtotal	$6,505,618	
Grand Total	$22,795,320	

Subsidy-Eligible Points and Subsidy,
Republic West, Inc.

Over 100 Enplanements per Day	Subsidy	Daily Enplanements
1. Idaho Falls, ID.	$1,089,190	266
2. Pasco, WA.	1,160,934	265
3. Eureka, CA.	106,794	203
4. Pocatello, ID.	705,801	175
5. Redding, CA.	438,167	145
6. Kalispell, MT.	431,559	131
7. Yakima, WA.	844,247	124
7. Twin Falls, ID.	764,411	124
Subtotal	$5,541,103	
Between 40 and 100 Enplanements per Day		
9. Kamath Falls, OR.	$ 603,402	73
10. Lewiston/Clarkston, ID.	1,147,784	52
11. Redmond, OR.	875,851	45
12. Grand Canyon, AZ.	174,188	62
Subtotal	$2,801,225	
Under 40 Enplanements per Day		
None		
Grand Total	$8,342,328	

Subsidy-Eligible Points and Subsidy,
Piedmont Aviation, Inc.

Over 100 Enplanements per Day	Subsidy	Daily Enplanements
1. Myrtle Beach, SC.	$ 704,618	274
2. Wilmington, NC.	1,046,254	243
3. Charlottesville, VA.	530,233	173
4. Kinston, NC.	783,450	157
5. Jacksonville, NC.	301,315	130
6. Winston-Salem, NC.	1,188,581	128
7. Lynchburg, VA.	1,134,526	125
Subtotal	$5,688,967	
Between 40 and 100 Enplanements per Day		
8. Florence, SC.	$ 381,785	60
9. Greenbrier, WV.	552,285	67
10. Staunton, VA.	829,545	53
Subtotal	$1,763,615	
Less than 40 Enplanements per Day		
11. Beckley, WV.	$ 856,393	35
Grand total	$8,308,975	

Subsidy-Eligible Points and Subsidy
Ozark Air Lines, Inc.

Over 100 Enplanements per Day	Subsidy	Daily Enplanements
1. Sioux City, IA.	$1,542,670	277
2. Joplin, MO.	1,011,428	197
3. Columbia, MO.	1,298,965	133
4. Decatur, IL.	1,627,259	114
Subtotal	$5,480,322	
Between 40 and 100 Enplanements per Day		
5. Burlington, IA.	$ 667,225	95
6. Dubuque, IA.	1,170,453	74
7. Quincy/Hannibal, MO.	846,118	67
8. Mason City, IA.	1,368,212	51
9. Marion/Herrin, IL.	791,594	48
Subtotal	$4,843,602	
Less than 40 Enplanements per Day		
10. Cape Girardeau, MO.	$ 641,305	36
11. Ft. Dodge, IA.	911,545	27
12. Rockford, IL.	1,208,904	27
Subtotal	$2,761,754	
Grand Total	$13,085,678	

Other Carriers Under Section 406

Carrier and Points	Subsidy 1/	Daily Enplanements
1. Cochise Airlines, Inc.		
Prescott, AZ.	N.A.	2
Winslow, AZ.	N.A.	2
Kingman, AZ.	N.A.	1
Blythe, CA.	N.A.	2
	$400,000	
2. Air Midwest, Inc.		
Lamar, CO.	N.A.	12
Goodland, KS.	N.A.	8
Garden City, KS.	N.A.	23
Dodge City, KS.	N.A.	19
Hays, KS.	N.A.	26
Great Bend, KS.	N.A.	13
Hutchinson, KS.	N.A.	5
Independence/Coffeyville/ Parsons, KS.	N.A.	10
	$1,500,000	
3. Sky West Aviation, Inc.		
Page, AZ.	$ 160,000	11
Cedar City, UT.	$ 145,000	30
4. Air New England, Inc.		
Nantucket, MA.	N.A.	105
Martha's Vineyard, MA.	N.A.	65
Hyannis, MA.	N.A.	168
New Bedford-Fall River, MA.	N.A.	20
Keene, NH.	N.A.	26
Augusta/Waterville, ME.	N.A.	78
Montpelier-Barre, VT.	N.A.	18
Lebanon/White River Junction, NH.	N.A.	105
	$6,300,000 2/	

1/ Unless specifically noted, no individual points have a specific subsidy level.

2/ Plus escalation for fuel cost increases.

REDUCTIONS IN CONSUMER COMPLAINTS STAFF

Question: According to your testimony, consumer complaints have dropped 30% since 1979 and are expected to continue to decline through 1982. Why shouldn't the 99 staff positions be reduced by 30% with a further substantial reduction scheduled for FY 1982?

Answer: We have taken action to reduce our staffing in the consumer assistance functions and further reductions have been targeted for 1982. Although only about one-third of the staffing is in the consumer assistance area, the Bureau of Compliance and Consumer Protection's total staffing is being reduced from 99 to 83 positions in Fiscal Year 1981 with a further reduction to 68 positions in Fiscal Year 1982.

STAFF DEVOTED TO TARIFF ENFORCEMENT AND REBATING

Question: How many professional staff years are devoted to working on issues relating to tariff enforcement and illegal discounting or rebating?

Answer: The Board's compliance staff, including investigators and attorneys, devoted approximately one-half staff year to tariff enforcement in calendar year 1980.

PREVENTING FOREIGN AIRLINES FROM REBATING

Question: To what extent do you take steps to prevent foreign airlines from rebating?

Answer: Our Bureau of Compliance and Consumer Protection handles all rebating allegations against either foreign or U.S. airlines on a case-by-case basis. In calendar year 1980, all rebating complaints were handled informally, through correspondence or otherwise. In recent years, the Board has received far fewer claims about rebating by foreign and U.S. airlines, as open pricing competition has substantially diminished the volume of illicit, unannounced pricing practices. We have found that our efforts to promote competition in international markets are a far more effective means of controlling or diminishing rebating than enforcement litigation, which is costly and ineffective where market forces continue to encourage rebating.

FINANCIAL RESULTS FOR U.S. INTERNATIONAL CARRIERS

Question: Please show year ending December 31, 1980 financial results for each major U.S. international airline by operating entity and indicate the reason for the less than satisfying results in the Atlantic and Pacific as compared to Latin American.

Answer: The attached table shows the financial results of U.S. international airlines by geographic entity.

Financial results for the year ending December 30, 1980 for the U.S. international carriers as a group operating in Latin America are not as unfavorable as for carriers operating in the Atlantic and Pacific entities. The profit margin (operating profit as a percent of operating revenues) was a negative 0.9 percent for the U.S. Latin American carriers as a group in comparison to a negative 4.3 percent for the Atlantic carriers and a negative 5.0 percent for the Pacific carriers. One of the main reasons for the difference between the Latin American results and the Atlantic and Pacific results can be attributed to a combination of passenger yield (passenger revenue per revenue passenger-mile) and load factor. Latin American carriers had a passenger yield of 10.12 cents on a 63.1 percent load factor, while Atlantic and Pacific carriers had significantly lower yields on

load factors of 64.3 percent and 59.7 percent, respectively.

International operations, in general, were influenced by poor business conditions, which stifled traffic growth, and by increased operating costs, especially for fuel. For the U.S. International carriers, fuel expense accounted for 29 percent of total operating cost for the 12 months ending December 31, 1980. There was average cost of fuel per gallon of $1.0207 on an entity basis. Latin American fuel costs were significantly lower. The fuel cost per gallon for the 12 months ending September 30, 1980 (most readily available data) for Latin American carriers was 88.88 cents and, for Atlantic and Pacific carriers, $1.0018 and 96.13 cents, respectively. (Board Order 81-2-108 on Establishment of The Standard Foreign Fare Level).

Financial Results for U.S. International Carriers
By Operating Entity
For 12 Months Ending December 31, 1980

	Operating Profit ($Millions)	Net Income ($Millions)	Profit Margin (%)	Rate of Return on Investment (%)	Scheduled Service Passenger Yield (¢)	Scheduled Service Load Factor (%)
Atlantic						
Braniff	$ (37.8)	$(49.8)	(29.4)	(51.6)	6.51¢	63.5
Delta	(.4)	.8	(.5)	4.7	6.55	78.2
Northwest	(30.8)	(1[illegible].5)	(29.3)	(15.5)	7.13	57.0
Pan American	(52.3)	[illegible]7.1	(3.8)	9.0	9.41	65.1
Trans World	3.5	26.9	.5	11.1	8.74	63.2
Western	(2.2)	(1.2)	(310.8)	(59.9)	6.02	38.1
Total	$(118.0)	$(19.7)	(4.3)	4.8	8.70¢	64.3
Latin American1/						
American	$ .2	$(3.6)	.04	3.6	9.99¢	65.6
Braniff	(9.7)	(11.3)	(3.4)	(1.4)	11.07	63.5
Continental	(2.8)	(1.9)	(96.9)	(.6)	7.15	56.9
Delta	(6.6)	(2.9)	(10.2)	(10.5)	8.30	55.9
Eastern	(12.1)	(15.0)	(2.6)	.8	9.34	65.3
Pan American	25.5	46.8	4.7	23.8	11.64	59.5
Western	(10.6)	(7.7)	(12.8)	(5.6)	7.99	61.7
Total	$ (16.1)	$ 4.4	(.9)	5.1	10.12¢	63.1
Pacific						
Braniff	$ (16.9)	$(18.8)	(54.8)	(61.7)	5.14¢	56.8
Continental	(11.8)	(10.3)	(14.2)	(7.7)	9.33	66.3
Northwest	(18.9)	.04	(4.3)	2.1	7.52	61.2
Pan American	(17.8)	18.5	2.3	11.3	8.54	58.5
Total	$ (65.4)	$(10.6)	(5.0)	4.4	8.11¢	59.7

1/ Includes Mexico and the Caribbean.

PRICING UNDER GERMAN BILATERAL

Question: According to your testimony, Germany is cited as an example of a country where liberal pricing policies were exchanged for routes. "Aviation Daily" reports that several U.S. airlines have experienced serious pricing difficulties. Please detail each of these for the record and explain how such problems could ever occur in a "liberal" bilateral in which you exchange liberal access to U.S. markets for a liberal pricing policy.

Answer: The United States has a country-of-origin pricing regime with Germany which allows each country to control pricing decisions in its own territory only. A detailed list of the pricing problems faced by U.S. carriers with the German authorities for German-origin traffic is attached. Pan American is the only U.S. carrier to have a tariff disapproved for traffic originating in both countries, but this was a Group Contractor Fare that the Germans believed to be a "part charter" and not permitted by the Agreement. The Board disagreed and PanAm continues to sell the service for U.S.-originating traffic.

Pricing problems can occur in a "liberal" bilateral by its own terms, that is, by invoking the country-of-origin principle which permits Germany to disapprove prices for traffic originating within its borders, but only under certain conditions. We have formally protested the German interpretation and use of this provision to protect its carrier from price leadership by U.S. carriers. The Protocol was negotiated in a spirit of compromise, resulting in substantial liberalization, although the United States is unhappy with the degree of control exercised by Germany on pricing decisions of the airlines. The United States is currently negotiating for changes in the German Protocol which would remove any impediments to price leadership and innovation by the carriers of either side.

Our expectations of healthy price competition between U.S. and German airlines was not fully realized because of the Germans' strict interpretation of the pricing provisions.

Known Adverse German Fare Actions - 1978-1980

Approximate Date	Carrier	German Action	Comment
11/78	PA	temporarly refused match on GIT fare Germany-Mexico	fare ordered by Mexico
3/1/79	PA/TWA	disapproved Apex/Super Apex fare conditions; and Budget/Standby	Budget/Standby undercut charter prices & Super-Apex

Approximate Date	Carrier	German Action	Comment
1/15/79	BN	Budget/Standby; Apex	no NOD;* rejected by letter; permit held up
1979	DL	Budget/Standby; Apex/ super apex conditions	"
3/6/79	TIA	Budget/Standby	"
3/79	Seaboard	upper deck passenger service	disapproval
8/79	BN	Budget/Standby; super Apex; Holiday	level and conditions; apparently oral disapproval
2/80	PA	Group contractor	Part Charter alleged
4/80	BN	Standby	withdrawn after oral demarche
11/80	TW	Holiday; Exc.	matching decribed as predatory
11/80	NW	Holiday-GIT Excursion online connectons	no NOD; according to NW, fares which its filing sought to match were not always single flight number.
2/81	TW	20% reducton (DM 200) in Holiday FRA-NYC	"Predatory" NOD*/

*/ Notice of Dissatisfaction, i.e., diplomatic notice of non-acceptance tariff filings.

PROBLEMS WITH COUNTRY-OF-ORIGIN AGREEMENTS

Question: Were these agreements improperly drafted?

Answer: The problems we have with country-of-origin agreements stem from the jurisdiction held by regulatory authorities of the other country rather than from a drafting error. Earlier, but substantially the same, agreements with The Netherlands, Australia and New Zealand have been successful, even though the aviation authorities of these countries could deny U.S. carrier pricing decisions. In fact, virtually every tariff filing made by a U.S. carrier in these countries was approved.

INTERPRETATIONS OF BILATERALS

Question: Have we simply bought problems on the interpretation of these documents for the future at the time U.S. carriers try to implement these rights.

Answer: International civil aviation is a dynamic industry. As changes occur within it, changes are

negotiated by governments. Much growth has taken place in the U.S.-Germany market since the Protocol was signed, and the United States and Germany met during the week of March 16, 1981 to discuss further improvements to the regime. We especially want to remove sore spots in our intergovernmental relationship on the pricing issues.

Virtually all bilateral aviation agreements leave some room for interpretation and the German Agreement is no different. The Board and the U.S. Government have never backed away from supporting U.S. carrier rights and have been able to resolve many problems concerning questionable interpretation of agreements. The additional powers granted under International Air Transportation Competition Act of 1979 have recently helped the Board carryout its responsibilities in this area.

CONSIDERATION OF DEFENSE RESPONSIBILITIES IN NEGOTIATIONS

Question: U.S. international airlines have certain U.S. defense responsibilities. These responsibilities include participation in CRAF (the Civil Reserve Air Fleet). To what extent does the CAB consider these responsibilities in negotiating "liberal" bilateral agreements.

Answer: Under the present policy, which stresses the exchange of competitive opportunities, we believe U.S. carriers will do at least as well as they would under a more restrictive policy. We would expect the size of the U.S. carrier fleet to expand as the policy is implemented through the signing of "liberal" agreements. The ability of U.S. carriers to fulfill their responsibilities under the CRAF program should therefore not be jeopardized by the policy. Concerning the total passenger airlift needs of CRAF, the U.S. fleet is large enough at present to meet those needs and still maintain civilian air services.

DESCRIPTION OF BOARD'S INTERNATIONAL PROGRAM

Question: Please provide a breakdown of the duties and responsibilities of the 157 positions you propose to allocate to international aviation. In view of the large offices specializing in international aviation at DOT, State, and the FAA, what steps has the CAB taken to avoid duplication of efforts among the three agencies?

Answer: The Board's International Aviation Program breaks out into three broad activity areas: (1) Negotiations/Consultations; (2) Grants of Operating Authority; and (3) Pricing Activities. The 157 positions allocated to these international activities include directly assigned personnel and indirect support staff, as follows:

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	Negotiations/ Consultations	Operating Authority	Pricing
Operating Bureaus/Offices:			
General Counsel	1	10	3
Carrier Accounts and Audits	-	2	-
Compliance and Consumer Protection	-	2	-
International Aviation	22	37	10
Domestic Aviation (Tariffs)	-	-	18
Law Judges	-	8	1
Administrative Support Indirect positions assigned on a proportional basis to all programs	9	22	12
Total	32	81	44

(1) Negotiations/Consultations

The work in this activity concerns international policy, planning for and participation in negotiations and consultations with individual foreign nations, and consultations with multilateral groups. The staff prepares legal and economic analyses, develops negotiating strategies, provides specific country expertise as well as takes part in the actual negotiations and consultations.

(2) Operating Authority

The basic work of this activity consists of: (1) processing foreign air carrier applications to serve the United States; (2) certificating U.S. carriers to serve foreign countries; and (3) granting temporary authority for international operations; (4) processing complaints under the International Air Transportation Fair Competitive Practices Act of 1974, as amended; (5) drafting rulemakings impacting on international operations and licenses; and (6) acting on the portions of mergers, acquisitions of control, and agreements involving international operations.

(3) Pricing Activity

The work associated with this activity involves: (1) computing and adjusting the Standard Foreign Fare Level; (2) processing and reviewing tariff filings; (3) processing IATA agreements; and (4) developing procompetitive pricing strategies for international negotiations.

The Board has by statute and tradition been responsible for the economic/aviation aspects of foreign air transportation, and retains staff to advance and support international civil aviation recommendations to the Department of State where the primary responsibility for U.S. international relations rests.

The Federal Aviation Administration is primarily concerned with the technical aspects of aviation, involving..."selecting, developing, testing, evaluating, establishing, operating, and maintaining systems, procedures, facilities, or devices for safe and efficient

air navigation and air traffic control." The FAA is not involved in the economic recommendations that affect intergovernmental air transport agreements.

The small staff at the Department of State is made up of foreign service officers who regularly rotate assignments on a regular cycle. The Office of Aviation's chief concern is heading up negotiation delegations and maintaining liaison on international aviation matters with our posts overseas. The Office is one of a number of offices supervised by a Deputy Assistant Secretary for Transportation and Telecommunications.

The Department of Transportation staff dealing in international aviation is also quite small. Their activity has been concerned with broad international aviation policy issues and more recently, the negotiations process.

The Board not only has the lead role in rendering economic/aviation advice to the Department of State in negotiations/consultations but is the only agency with line responsibility over operating authority, international pricing, and mergers/agreements.

There is little, if any, duplication in effort among the separate U.S. Government agencies responsible for international aviation. Staff coordination among the agencies occurs on a daily basis and high level strategy and policy decisions are reached in Interagency Committee meetings.

CAB ROLE IN INTERNATIONAL AVIATION

Question: What steps are being taken to phase out the CAB role in international aviation?

Answer: The CAB has taken no steps to phase out its role in international aviation per se. The Congress, acknowledging that the CAB role in international aviation is largely a function of foreign relations circumstances not entirely within U.S. control, provided in the Airline Deregulation Act of 1978 that these CAB duties would be continued (at DOT) after sunset.

What the Board has done, however, for foreign air transportation as for domestic, is phase out those aspects of regulatory oversight that hamper competition or impose undue burdens, and simplify those regulatory aspects that remain essential to the public interest. The Board has also attempted to achieve a more competitive environment by encouraging liberal aviation agreements that would ultimately diminish its regulatory role.

It is clear that some regulatory oversight in international aviation will continue to be necessary, since many nations do not share our philosophy that all airlines should operate in a free market environment without governmental intervention. In fact, Congress recognized this when it recently strengthened the Board's role in redressing unfairly restrictive and discriminatory practices of foreign governments and foreign airlines under sections 9 and 23 of the International Air Transportation Competition Act of 1979 and section 2 of the International Air Transportation Fair Competitive Practices Act

of 1974 (as amended). Unless our philosophy is fully adopted worldwide, regulatory oversight will be necessary to ensure that our airlines at least receive reciprocal operating rights and are treated non-discriminatorily by foreign governments and airlines.

Where we have liberal agreements which permit multiple entry, we have granted the applications of all fit carriers to serve these markets--e.g., Bermuda, Costa Rica, Germany, Jordan, Jamaica, Korea, Thailand, Singapore, Belgium and The Netherlands. We have taken similar actions where there are no agreements but liberal aviation relations exist--e.g., The Bahamas and Central America.

As permitted by the International Air Transportation Competition Act (IATCA), we have authorized U.S. carriers to serve any point or points in the United States--as opposed to specific U.S. cities--on their international routes in multiple entry markets. In such markets, U.S. carriers no longer need Board authority to serve a new U.S. city.

As carriers apply, we are amending carrier certificates to allow them to integrate their route segments, thereby permitting them to operate between and among foreign coterminal points, subject to any bilateral agreement restrictions on such operations.

We have created a zone of fare flexibility that is broader than the zone provided by IATCA. Individual fare changes that fall within the zone are not subject to Board scrutiny for reasonableness. The Board's role, as required by the statute, is confined to adjusting the base zone.

In multiple permissive markets where we have a de facto or de jure liberal pricing article (i.e., Belgium, The Netherlands, Finland, Germany, Israel, Jordan, Costa Rica, Jamaica, The Bahamas, Bermuda, Netherlands Antilles, Korea, Singapore, Thailand, The Philippines, Taiwan, Fiji, New Guinea), The Board has given the airlines full fare flexibility to charge any fare without regard to a specified zone. The market determines the fares charged. In such markets, the Board's only concern are to preclude or eliminate discriminatory pricing practices and to protect the U.S. carriers' right to full pricing flexibility.

The Board has adopted simplified, non-oral hearing procedures designed to expedite the grant of new authority to U.S. and foreign air carriers. Time consuming oral evidentiary hearings are rarely held, and only where there are material issues of decisional significance that cannot be resolved in written pleadings.

Foreign air freight forwarders are no longer required to obtain section 402 foreign air carrier permits. They now file a simple, one-page registration form. They are permitted to engage in freight forwarding between the United States and any foreign country, assuming their homeland governments grant reciprocal privileges to U.S. freight forwarders.

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A similar registration approach is being developed for foreign tour operators and for Canadian air taxi operators conducting transborder services. This registration procedure would replace a more time consuming and elaborate evidence submission procedure under section 402.

We are working on several other rule simplifications which would reduce regulatory burdens on airlines. Some of these are:

- eliminate the requirements for approval of all wet lease agreements between two U.S. airlines for approval of wet lease agreements of less than 60 days between U.S. and foreign airlines or between two foreign airlines;

- eliminate the on-route/off-route charter distinction and replace it with a Third/Fourth Freedom and Fifth Freedom charter regime, thereby allowing foreign air carriers to operate U.S.-homeland charters without restrictions and requiring Board approval for U.S.-third country charters;

- reduce the evidentiary requirements for foreign air carriers seeking to amend or renew their permits;

- eliminate the need for U.S. carriers to submit to the Board suspension notices for international routes;

- eliminate the requirement that U.S. and foreign air carriers file airport notices; and

- eliminate the requirement that U.S. carriers file Approved Service Plans.

ECONOMICS IN U.S. AIRLINE INDUSTRY

Question: You have testified "that it is important that we have a healthy U.S. airline industry and that we get the best possible service to the American public and, in a larger sense, internationally." Given the level of losses by our major international airlines, it would appear that current negotiating policy has been unsuccessful in providing a healthy U.S. airline industry. To what extent does the CAB evaluate the economics of U.S. airline proposals before authorizing international service?

Answer: The present policy aims to improve competitive opportunities. The policy is mandated by the International Air Transportation Competition Act of 1979. (See Section 102 "Declaration of Policy: The Board" and Section 17 which amends Section 1102 of the Federal Aviation Act of 1958 and sets forth the goals of international aviation policy.) It does not guarantee that the carriers will make profits. If past performance is any indication of the future, we should anticipate periods of both profits and losses as business conditions fluctuate. In the intermediate term, we believe U.S. airlines will do at least as well under the present policy as they would under a more restrictive one. Profit levels will vary, of course, from carrier to carrier -- the more efficient carriers will tend to be the more successful carriers under

this policy. The policy does not discriminate either in favor, or against, the incumbent carriers. If the United States succeeds in implementing the policy, the incumbents will, however, be subjected to new competitive forces. Thus it is certainly possible that the profits of the now well-established carriers could be adversely affected under the policy, although under domestic deregulation both individual incumbents as well as individual new entrants are doing well in this period of recession.

The CAB does not closely evaluate the economics of U.S. airline proposals before authorizing international service. If, upon careful examination, the carrier is found fit to operate, the Board ordinarily grants the carrier the requested authority. Carriers sometimes delay implementing authority they receive. When conditions appear ripe for service, the carrier is able to implement its authority immediately. One of the fundamental precepts of the new legislation is that carrier management is in a better position than we are to determine which markets can be served most profitably. The existence of several potential entrants to a given market can exert desirable competitive pressures on incumbent carriers to refrain from monopolistic or cartel pricing practices.

LOSSES OF U.S. AIRLINES

Question: If the U.S. airlines serving a particular market are already earning serious losses, what sense does it make to add new competitors" Won't the result be to just kill off the U.S. airlines and leave the market to the foreign airlines.

Answer: Wherever possible, we believe carrier managements should be permitted to make the decisions to implement, cancel, or change services at its discretion. If one U.S. carrier decides it can be profitable on a route where another has failed, we see no reason to deny that carrier the opportunity to provide service. We have yet to see a situation in which U.S. carriers killed each other off and left the market to the foreign airline.

The process of certificating air carriers for new authority in a particular market is not based on the incumbent's profitability. New certificate holders, in most cases, need not serve the points authorized if its management believes that it would be unwise or untimely. It may well be that the incumbent's losses are the result of poor management or that the incumbent cannot or will not devote sufficient resources to develop a given market to a profitable level. In the event an operating carrier removes itself from a market for whatever reason, an already certificated holder of the authority can quickly replace the carrier that is dropping out.

LIBERAL BILATERALS

Question: If a liberal bilateral provides a superior business climate for U.S. international airlines, why did Pan Am drop all service to the Netherlands and Belgium after the "liberal" bilateral was signed?

Answer: Pan American (PamAm) was the only U.S. passenger carrier ever to serve the Amsterdam and Brussels markets. Several years before the signing of the liberal Dutch and Belgian agreements, PanAm reduced its service frequency and lowered the quality of service to one-stop via London from non-stop. In the many years that PanAm served these points, it did not penetrate these markets to any great extent, garnering at best a 20 percent share.

Until 1975 when enormous operating losses and cash flow problems nearly forced PanAm into bankruptcy, the carrier served many small uneconomic markets. At about the time these agreements were reached, Pan Am decided to more heavily concentrate its efforts on major gateways, e.g. London and Frankfurt. Its fleet modernization to all wide-bodied aircraft meant that a number of markets would be too small to serve economically with the new wide-bodied equipment. These included U.S.-Belgium and U.S.-Netherlands and a variety of U.S.-Eastern European countries.

BENEFITS RECEIVED BY AIRLINES

Question: Detail the benefits received by U.S. flag airlines and foreign airlines with Iceland, Finland, Taiwan, Korea, Singapore, and Thailand. Which of these benefits are being used by U.S. airlines and which by the foreign flag airlines?

Answer: The United States has a conventional Agreement with Iceland. In 1979, the Agreement was amended to grant Iceland additional traffic rights to Cleveland and Detroit but these rights have not been implemented. Iceland also acquired rights to serve Luxembourg on some flights without making an intermediate stop in Iceland. Although the rights granted to Iceland exceeded what could be justified on strictly aviation grounds, the Departments of State and Defense felt that the route concessions were justified for broader public interest reasons. The United States maintains a large military base on Iceland. Iceland is a very small market that is not served by any U.S. carriers. Iceland has benefitted from the Agreement in that it gained the opportunity to compete more effectively for U.S.-Europe traffic, although it is an insignificant factor in that market, carrying less than 1% of the total.

In 1980, a liberal Agreement was signed with Finland including mutual disapproval pricing and a liberal charter regime. Finland was granted traffic rights to Seattle and one point in California. No U.S. carrier has served Finland since 1975 wnen Pan American left the market. The opportunity exists for U.S. carrier service, but the carriers have not chosen to use it. Finnair plans to begin service to Los Angeles and Seattle this summer.

A liberal agreement was signed last year with Taiwan containing all the model procompetitive provisions including mutual disapproval pricing. Soon after the agreement was signed, U.S. carriers complained that Taiwan's currency remittance procedures violated the new Agreement. The new Agreement states that carriers may convert and remit local revenues on demand and that "remittances should be permitted promptly." Earlier this year, the Board granted China Airlines, the Taiwan national carrier, a 90 day exemption to operate an all-cargo service, to New York. During the period March 16-26 negotiations took place with Taiwan to resolve the remittance problem. The negotiations were successful. Northwest and Flying Tiger currently provide U.S. flag scheduled service to Taiwan.

The first liberal agreement in the Pacific was signed with Korea in 1979. In exchange for the model agreement, Korea was granted rights to New York with stopover rights at Anchorage and a mandatory stop restriction at Honolulu was eliminated on their route to Los Angeles. Recently, the two sides agreed ad referendum to amend the Agreement. The United States offered Korea additional route rights which would take effect only after Korea has fullfilled certain obligations defined by the Agreement. Facilities must first be constructed or made available that permit our carriers to handle their own cargo at Seoul. Korea ordinarily insists that all carriers be handled by a government-designated agent. As a result of the 1979 agreement, U.S. carriers were permitted to handle their own outbound cargo. Korea has implemented its New York rights and currently operates three flights per week. U.S. service is provided by Northwest and Flying Tiger. Braniff withdrew. The U.S. glag snare of the market was 19% in 1980, 14% in 1979.

Liberal agreements have been signed with both Singapore and Thailand. Probably the most important benefits U.S. carriers have derived from the Singapore agreement are the ability to self-handle cargo, and mutual disapproval pricing for passengers and cargo. In Thailand, Pan American recently introduced a promotional fare under the new liberal pricing provisions. Although the promotional fare was discontinued prematurely mostly for technical reasons, PanAm was able to undertake the promotion because of the new pricing provisions. We understand a similar promotion is being considered for Singapore.

Both Thai International Airways and Singapore Airlines recently began service to the United States. Thai International currently operates three flights per week, two operate via Seattle to Dallas and one operates to Los Angeles via Seattle. Thai plans to suspend its Los Angeles service effective April 1. Singapore Airlines operates nine weekly flights to the U.S. West Coast.

Singapore has been served by U.S. carriers for many years. Except for Air Siam's service to the United States in the early 1970's, both Thailand and Singapore have historically not served the United States. It is therefore not surprising that these countries would eventually seek rights to serve the United States. Pan American began service to Bangkok in 1947. TWA and FLying Tiger have also served Bangkok. Pan American is the only U.S. flag carrier serving Singapore at present as Braniff withdrew all of its Pacific services.

In 1980, a liberal Agreement was also signed ad referendum with the Philippines. Before the agreement was signed and since 1974, U.S.-Philippine aviation relations had been governed by an inter-governmental Understanding that specified the carriers, routing and capacity of service permitted for each side. Pan American and Northwest were each allowed to operate four flights per week. Under the new Agreement, all restrictions on capacity are being phased out over a two year period. Pan American and Northwest are now each operating six flights per week. The United States also obtained a liberal route description. This has enabled Northwest to make an intermediate stop at Taiwan on three weekly flights.

Flying Tiger (Tigers) was forced to suspend its services to Manila in June 1979 when Tigers removed its last narrow body aircraft from the Pacific and the Philippines refused to allow Tigers to use widebodies into Manila. As a result of the Agreement, Tigers resumed service with wide-bodied equipment. In addition, the United States gained an open route description for all-cargo services which gives Flying Tiger maximum flexibility to tailor its services to the changing needs of the marketplace.

The U.S.-Philippines Agreement contains mutual disapproval pricing (although fares below eighty percent of a base index are subject to a country-of-origin regime). The carriers, particularly Pan American and Flying Tiger, have argued strongly in support of pricing freedom in the Philippine market. In exchange for the pricing and entry liberalizations we obtained, the Philippines was granted extensive new route authority including access to Guam, Los Angeles, and five points in the United States to be selected by the Philippines. The new route rights are phased in over a two-year period. So far, Philippine Airlines has only implemented three new flights to Los Angeles.

OPPORTUNITIES FOR U.S. AIRLINES

Question: If these agreements present real opportunities for U.S. airlines, are there reasons the U.S. airlines have not taken advantage of them?

Answer: These are two answers to this question. The first is that U.S. carriers have taken advantage of some of these new opportunities. The second is that there are many reasons why U.S. airlines have not taken advantage of some of the other opportunities. Airline managements may decide that high international fuel costs, the weakened U.S. dollar, and inflated travel costs abroad, make it a poor time to try to develop new markets for route or charter service. New points or services may not integrate well with an existing route structure or fleet of aircraft.

Also, the demand for air transportation is highly correlated with business cycles. Air travel demand, particularly for discretionary trips, tends to soften at the first sign of an economic downturn, and is typically the last to pick up in an upturn.

Potential new Asian services face particular difficulties because of the opposition of Japan, a key operational and traffic point, to new U.S. designations and traffic rights and, at Hong Kong, to the lack of local traffic rights to other points in Asia, a deficiency the British persistently refuse to remove.

FOREIGN FLAG AIRLINES

Question: If the foreign flag airlines are making more use of these agreement in terms of the number of flights, why is this so?

Answer: In country markets with the liberalized agreements worldwide, U.S. carrier scheduled passenger traffic increased over 30 percent between calendar year 1979 and 1980 while the number of flights increased 13 percent according to Immigration and Naturalization Service Data (INS). These countries are Belgium, Costa Rica, Finland, Israel, Jamaica, Jordan, Netherlands, Philippines, Singapore, South Korea, Taiwan, Thailand and West Germany. Foreign carrier traffic in these same markets increased by only 10 percent and the number of flights increased by only 3 percent for the same period. U.S. carrier market share improved from 29 to 33 percent of the total in these scheduled markets. Based on this information, it appears that U.S. carriers are making more use of the new liberal agreements in terms of flights.

NEGOTIATING POLICY

Question: Who reviews the negotiating policy to assure that it advances the interest of U.S. airlines?

Answer: The question appears to narrow unintentionally the scope of responsibility of the Board. The Board is required by Acts of Congress to consider many factors in developing U.S. aviation negotiating policy. The interests of the general public, travelers and shippers, U.S. air commerce, the Postal Service and national defense, as well as that of the U.S. airlines, must be considered.

The initial step is for the Bureau of International Aviation to develop draft positions after the public, including the U.S. air carriers, has the opportunity to submit comments and recommendations in writing and to express their opinions at public meetings. The draft positions are based on U.S. policy and negotiating goals as expressed in the Federal Aviation Act of 1958, as amended, and the International Air Transportation Competition Act of 1979. Then the positions are reviewed by the Board to make certain that they are consistent with the public interest as defined by law. The Board often has meetings to discuss with staff the proposed positions. Only after this examination does the Board approve a position. The Board's final positions are then submitted to the Department of State and provided to the Department of Transportation. Frequently an Interagency Committee will meet to develop a unified United States Government position. The Departments of State and Transportation and the Civil Aeronautics Board are the principal members of the Interagency Committee.

STUDIES BY OEA

Question: What studies have been made by your office of economic analysis to determine whether U.S. airlines have benefitted from these agreements? Please provide any studies you may have for the record.

Answer: The Office of Economic Analysis has not done any studies to determine whether U.S. airlines have benefitted from liberal bilateral agreements.

U.S. NEGOTIATING SCHEDULES

Question: List the U.S. negotiating schedules (to the extent known) for the next 12 months. What will the United States seek to achieve in these talks.

Answer: During the next year the United States expects to negotiate with Australia, Argentina, Canada, Colombia, France, Indonesia, Japan, Malaysia, Mexico, The Netherlands, Panama, the Scandinavian countries, Taiwan, the United Kingdom, West Germany and Yugoslavia. Negotiations may also take place with Barbados, China,

Czechoslovakia, Hungary, Iceland, Italy, Kenya, Nigeria, Pakistan, Peru, Poland, Romania, Singapore, South Korea, Thailand and Trinidad/Tobago.

Basically, the United States will attempt to implement U.S. aviation policy through the exchange of competitive opportunities with these countries. During these negotiations the United States will seek the updating of old Agreements to provide for liberal pricing, coverage of charters, no capacity restrictions or restraints, broad route rights, exercisable multiple designation and improved "doing business" language (repatriation of earnings, self-ground handling, non-discriminatory market access, no restriction on sales in foreign countries, etc.). The United States goals include the elimination of restrictions which hamper the economic operations of U.S. carriers.

BENEFITS TO OPERATING AIRLINES

Question: How will that benefit the currently operating airlines?

Answer: The Civil Aeronautics Board is advocating positions which will increase U.S. carriers' market access in foreign countries and give them pricing flexibility which permits price leadership and a quick response to changing market conditions and cost factors. The Board is also seeking improvements in the operating environment. The broad route rights being sought in new agreements will give the U.S. carriers a wide range of opportunities for developing route networks which are economic and serve the public. The inclusion of charter rights in agreements will give this type of service an international legitimacy it did not have until recently. It will also give smaller U.S. carriers an opportunity to participate in offering more international service. With respect to Western Europe, setting the negotiating goals will improve U.S. carriers' route rights as well as the operating environment. Because the East European countries have controlled economies, the Board will be recommending that U.S. carrier access to the East European originating markets be based on special assurances or guarantees. In the major Pacific market, Japan, the Board hopes the first steps can be taken to liberalize the the operating environment. In the South American markets we are seeking the removal of restrictions which hamper economically efficient operations by the U.S. carriers. The Board has consistently sought the elimination of anti-competitive practices such as restrictions on routes, type of aircraft, capacity and frequency, repatriation of earnings, and ground handling. One of the main activities in the next few years for those in the government involved in international aviation will be removing those restrictions that remain and making certain that the foreign countries fully comply with the terms of the procompetitive agreements. If achieved, this will help incumbent U.S. carriers improve their operating efficiency and enlarge their access to foreign-originating traffic.

NEW SERVICE BY AIRLINES

Question: What new services by other airlines are expected?

Answer: The U.S. carriers hold a large amount of route authority which has not been implemented. Since use of route authority is a carrier management decision, the Board usually does not know about carrier plans until they are announced publicly. Several carriers have made known their plans to begin new international services. Capitol plans to start service to Paris, Transamerica to Paris and to Germany, World to London and Frankfurt, Western between Denver and London and between Anchorage and London and Air Florida to several European points. Additional U.S. carriers are interested in services to Canada, Colombia, Mexico, and Peru. ICB, an all-cargo carrier, which recently received an exemption to provide scheduled all-cargo service to South Africa and Zimbabwe, plans service to South Africa. Several U.S. carriers are interested in providing service to Middle East points. United hopes to introduce service to Japan soon. Northwest plans new service between Guam and Tokyo.

ECONOMIC TESTING OF NEW SERVICES

Question: Have these services been tested to ensure they are economic in the light of today's cost levels? If so, what evidence do you have then?

Answer: In the final analysis, the only real test of service is in the marketplace. As a result of the International Air Transportation Competition Act of 1979, the Board's responsibilities for licensing are limited to finding a U.S. carrier applicant fit, willing and able to provide the service for which authority is requested. It is the airlines which have the expertise to decide whether or not a particular service will be profitable.

There can be reasons, however, unrelated to fitness for not granting U.S. carriers international authority. In some cases, bilateral air transport agreements limit the number of U.S. carriers which may operate. In other cases, it is known that the foreign government will not permit entry of additional U.S. carriers.

The whole point of deregulation, as the Board understands it, is, where possible, to free carriers and markets from artifical restraints so that passsengers and shippers can decide which carrier provides the best service for their money.

EQUAL ACCESS OF U.S. FLAG CARRIERS

Question: What has the U.S. done to ensure equal access of U.S. flag carriers to computer reservations systems in foreign countries such as Germany and France? Shouldn't this be one of our highest priorities to ensure U.S. airlines an equal opportunity to compete?

Answer: Computerized reservations systems are a relatively new technological development abroad, being in use in only a few countries, chiefly in Europe. Even newer is the concept of a single national system handling rail, hotel, and tour reservations as well as air. Such national systems are at various stages of design or implementation in the United States, West Germany, and France. In most cases U.S. airlines must negotiate access with the system owners, either directly or through the national airline. U.S. civil air attaches and transportation officers abroad keep in touch with U.S. airline representatives and report to Washington on this issue. There has been little government-to-government involvement for several reasons: computerized reservations systems are not explicitly covered in U.S. bilateral air service agreements, although the Board's staff is studying the feasibility of doing so as agreements are negotiated. They are implicitly covered if fair and equal opportunity is being denied U.S. airlines; however, a case for such charge can be put together only after the concerned U.S. airline(s) have made reasonsable efforts, but failed to negotiate fair access. In most cases these efforts are still going on. The Board is ready to recommend U.S. Government intervention where appropriate or to act on complaints which may arise.

A combined State/Transportation/Board team did raise the issue of difficulties being experienced by U.S. airlines gaining access to various European systems during a February 1981 meeting with the European Civil Aviation Conference. While reluctant to discuss this on other than a country-of-country basis, the Europeans did claim that such systems are generally not regulated by governments, a factor which may make it difficult to resolve these issues on a government-to-government basis. The United States is raising the issue in mid-March, 1981 talks with West Germany and expects to raise it whenever facts that point to possible denial of fair and equal opportunity become evident.

ACTIONS TO INCREASE COMPETITION ON INTERNATIONAL ROUTES

Question: In domestic airline deregulation, the CAB has acted to eliminate all closed-door, mandatory-stop, and long-haul restrictions. Have similar actions been taken on international routes to permit increased competition?

Answer: It is the Board's position that restrictions on operating authority are inherently wasteful, inefficient, limit service to the traveling public and should be removed unless there are compelling reasons for retaining them. Accordingly, the Board is actively eliminating

restrictions on international routes where such action is consistent with bilateral agreements and other foreign policy considerations.

For example, the International Air Transportation Competition Act of 1979 permits us to award international route authority without specifying terminal or intermediate points, and we have done so in numerous proceedings involving the grant of multiple authority. The practical effect of this approach is to eliminate all restrictions as to which U.S. cities airlines may serve in foreign air transportation. It is also the Board's policy to allow U.S. carriers to carry local traffic between and among U.S. points on flights serving foreign routes. This policy serves to eliminate de facto closed-door restrictions on domestic portions of international journeys. In addition, we are now in the process of realigning the international route systems of U.S. carriers. By this action, we are also comprehensively eliminating restrictions which deny carriers the flexibility needed to quickly tailor service to demand. Finally, we are continuing our historic practice of eliminating mandatory stop restrictions which no longer serve any useful purpose. In Docket 35455, for instance, we removed a mandatory stop restriction from Braniff's certificate which precluded the carrier from providing nonstop service between the ten cities in the United States and Brazil.

RESTRICTIONS ON INTERNATIONAL SERVICE

Question: If there are any restrictons now being maintained, are these mandated by the relevant bilateral?

Answer: In general the Board's position is to eliminate on a reciprocal basis all governmentally imposed restrictions on international air service.

There are few closed-door, mandatory-stop, or long-haul type restrictions in our bilateral air transport agreements or in the U.S. carriers' certificates for international services. What few restrictions exist usually limit which cities may be served in the foreign country, and the intermediate and beyond destinations that may be served along specified routes. These restrictions are reflected in bilateral agreements and other aviation arrangements with foreign governments. In any case, virtually all of the restrictions now included in the certificates of air carriers for foreign routes are either mandated by such agreements or required by other foreign aviation policy reasons.

The Board, in conjunction with other agencies of the Government, has been successful in negotiating agreements which eliminate many restrictions on the operations including routes of airlines in foreign air transportation. We will continue to press for similar results in future negotiations.

PROCOMPETITIVE INTERNATIONAL AVIATION POLICY

Question: What success have you had in implementing the procompetitive international aviation policy that you have been pursuing over the last several years, and what problems have you experienced with those nations less receptive to this concept?

Answer: The present policy has been in effect approximately three years. In that period, a good start has been made toward opening up international aviation to more competition. Not surprisingly, however, we have encountered international opposition. Many governments are naturally reluctant to expose their carriers to the risks inherent in a more competitive marketplace. Under conventional agreements, either government has the right to unilaterally reject any proposed price it considers unacceptable. Under our new procompetitive agreements, each government agrees to give up much of its control over pricing. In some of these liberal agreements, before a proposed price can be disapproved both governments must agree to disapprove it. In others, a government may disapprove prices only for transportation that originates in the government's home country and only after consultations. We believe a high degree of pricing freedom is an essential element of any procompetitive regime.

Even though we offer our aviation partners generous new opportunities to serve U.S. cities in exchange for acceptance of a procompetitive bilateral, many countries are reluctant to accept. They fear the potential competitive impact on their own carriers(s) of pricing freedom, open entry, unlimited capacity, unrestricted charters and other procompetitive provisions. The countries in the Western Hemisphere, Africa, the Middle East and Eastern Europe have generally resisted U.S. efforts to liberalize the aviation environment. Costa Rica, Jamaica, The Netherlands Antilles, Israel and Jordan, however, have signed liberal bilaterals.

In Europe, liberal agreements have been signed with Belgium, Finland, Germany and The Netherlands. Each of the agreements contain liberal pricing and charter provisions. The additional pricing flexibility possible under these agreements has played an important role in attracting several U.S. carriers to establish new European service. In 1980, the United Kingdom Agreement was also liberalized in some respects. The number of nonstop U.S. gateways to the United Kingdom has been significantly increased. Over the last two years, Atlanta, Baltimore, Dallas, Denver, Minneapolis, New Orleans, Pittsburgh, St. Louis and Tampa have all received new nonstop transatlantic service. In addition, agreement was reached to phase out all governmental regulation of cargo over a period of three years.

In the Pacific, liberal agreements have been signed with Fiji, Korea, Papua New Guinea, the Philippines, Singapore, Taiwan, and Thailand. Each of the agreements contain all the essential pricing and entry provisions of a procompetitive regime. Some progress has also been made with New Zealand and Australia. More liberal capacity and pricing provisions have been negotiated and,

in 1979, agreement was reached permitting Continental's entry into the South Pacific. Our largest aviation partner in the Pacific, Japan, has so far firmly resisted U.S. efforts to liberalize the bilateral. We anticipate intensive negotiations with Japan during the next year.

FILINGS BY NEW CARRIERS

Question: Describe the new demands that you anticipate to arise from the more competitive environment of commercial aviation, especially the filings that will originate from new certified and commuter carriers.

Answer: We anticipate that applications for initial certificate authority will continue to be filed at the accelerated rate experienced in 1980. These applications principally will come from wholly new entrants and operating commuter carriers, and in most cases will be processed under full evidentiary hearing procedures to determine fitness (economic issues are handled by nonhearing procedures).

We expect a decline in applications from carriers already certificated, and which seek extensions of route authority (which are handled expeditiously under nonhearing procedures). These, which involve economic issues (as opposed to fitness), already have been granted on a large scale to all existing carriers, and, in any event, this area of regulation sunsets at the end of this year.

Notices of terminations and suspensions should increase as carriers continue to adjust to sluggish economic conditions, and, depending on congressional action, to reduced subsidy.

TRANSFER OF CONSUMER PROTECTION FUNCTION

Question: The Airline Deregulation Act makes no provision for the transfer of CAB's consumer protection function to another agency. What agency do you believe would be appropriate for this function and do you propose to recommend any legislation in this regard?

Answer: The Board is presently reviewing the consumer protection function in order to determine what recommendations should be made in regard to a legislative proposal. Section 411 underpins most of the Board's consumer protection authority and provides that the Board can investigate and determine whether any air carrier, foreign air carrier, or ticket agent has been or is engaged in unfair or deceptive practices or unfair methods of competition and, if so, to order the entity to cease and desist from such practices. The Board has several options available in this area. One option would be to recommend the transfer of Section 411 authority to DOT. Another option would be to remove the restriction on aviation oversight from the FTC Act and have that agency oversee airline practices.

CONSUMER ISSUES

Question: Your budget reflects a de-emphasization of the Board's direct role in consumer issues, relying, apparently, on consumers utilizing their own resources in resolving consumer complaints. Is this effort proving successful? What is the ultimate arena for appeals in instances where consumers are unable to resolve their problems?

Answer: We believe competitive pressures should encourage carriers to promptly and satisfactorily resolve consumer complaints. This appears to be happening because the number of complaints received by the Board in calendar year 1980 was one-third less than the number received in calendar year 1979. We have also implemented a program which encourages state and local consumer organizations to become involved in assisting consumers who have complaints against airlines. Small claims courts are a readily accessible avenue by which consumers can seek satisfaction for problems encountered in their dealings with carriers. Also, consumers will have the ability to initiate private actions in court to seek recoveries. As a practical matter, the Board never had the authority to settle individual claims against carriers and there will be a reduced need for specific regulations in a more competitive climate. We do not intend to recommend that the Board's consumer complaint handling function be transferred to another agency and we have been reducing our staff in this area accordingly.

NEED FOR USER INFORMATION SERVICES

Question: How do you plan to resolve the continuing need for user information services, which the deregulation act makes no provision for transferring?

Answer: We have been addressing this question via several parallel initiatives begun after the deregulation act. The first initiative was to conduct a zero base review of our air transportation data systems, in view of the mandated changes to CAB regulatory programs and responsibilities preceding sunset. The objective of this review was to reduce and minimize air carrier reporting burdens, especially for small businesses, in recognition of our needs. This regulatory information review was conducted as an open process, with direct coordination and input from the Department of Transportation's Aviation Statistical Task Force as well as the large family of other users who rely upon CAB data, including other Federal agencies, aircraft engine and mainframe manufacturers, the airlines themselves, the financial community, academia, researchers and others. As a result of these efforts, which will continue until sunset, we have already achieved more than a 40% reduction in air carrier reporting, and expect that further reductions are possible. These efforts insure that CAB data systems and reporting burdens will continue to be held at minimum levels.

As a concomitant action, we began a program to advise secondary users of CAB data and data services, including other Federal agencies, that the deregulation act's failure to provide for transfer of the data systems necessitated their review of their basic data needs and consideration of alternatives acquisition strategies. We have encouraged a greater reliance on the private sector for these data and services, particularly for information of marginal value or no longer required by the Government's programs. Some private sector firms have explored the possibility of assuming some CAB data sys-

tems, but no feasible solutions have been found. Also, as a result of this effort CAB data research and dissemination services for secondary users are now handled almost entirely by private sector computer and data consulting firms in lieu of Government involvement and resources.

As a third initiative, the broader question of the Government's needs for CAB data for other than regulatory purposes has been pursued. DOT requirements as well as the needs of other Federal programs have been surfaced, and coordinated through the Interagency Committee on Transportation Statistics. As a result, it has become apparent that the transfer of selected, minimized, existing data systems would be preferable to sunsetting them, because they are needed for other Government purposes and, if not transferred, would have to be immediately recreated by DOT. This sunsetting and recreation would be an unnecessary and expensive proposition for both the reporting air carriers and the Government. We will either recommend or support recommendations by others for appropriate legislative changes to permit DOT to collect any and all transportation data that it will need, and to transfer needed, existing CAB reporting and data systems.

CROSS-SUBSIDIZATION

Question: Have you found any evidence of cross-subsidization where carriers charge high prices on some routes to subsidize losses on other routes?

Answer: There have been several markets in which competition has apparently driven air fares below one or more carriers' costs. Such "price wars" sometimes begin when a carrier enters a market and are usually short lived. They are an important and positive sign of competition in the airline industry.

The cost of serving a market will differ among carriers. Costs vary with the type of equipment and the prices of input (fuel or wage rates). Costs might also vary among the airlines because of different amounts of connecting service at the terminal cities or different alternative uses of aircraft. As fares fall, those carriers whose losses are greatest will tend to reduce service or exit the market. Thus, a "price war" tends to assure that the carriers with the lowest costs serve a market.

Moreover, there is little evidence to support the proposition that "price wars" have a significant effect on fares in other markets. First, in most cases fares are held below costs for a relatively short period of time. Second, if a fare can be profitably raised in one market, carriers would tend to raise fares in that market, regardless of whether there was a "price war" in another market.

CARRIERS RECEIVING 406 SUBSIDY

Question: Identify which carriers now receive 406 subsidy and which would be affected by the proposed reduction.

Answer:

Local Service Carriers

1. Frontier Airlines
2. Republic Airlines West
3. Ozark Air Lines
4. Piedmont Aviation
5. Republic Airlines

Regional Carriers

1. Air Midwest
2. Air New England
3. Cochise Airlines
4. Sky West Aviation

Alaskan Carriers

1. Alaskan Airlines
2. Kodiak-Western Alaska Airlines
3. Wien Air Alaska

EFFECTS OF ELIMINATION OF 406 SUBSIDY

Question: How many points would be affected by elimination of the 406 subsidy?

Answer: At the present time, a total of 339 points are now being subsidized under section 406 and would be affected by the termination of that program. Of these, 146 cities are in the 48 contiguous states and 193, in Alaska. Of the 146 points on the mainland, 50 enplane better than 100 passengers a day and will probably be retained by the local service carriers. At 40 communities, which enplane between 41 and 100 passengers daily, the locals might file notices to terminate their services. At these cities, we would expect that commuter carriers would replace the locals and provide the service on a nonsubsidized basis. However, we anticipate that the commuters may not have the equipment to immediately accommodate all the traffic at these points and that it will be necessary to hold-in the incumbents and compensate them for their losses until the replacements are capable of assuming total responsibility for the service. The remaining 56 cities enplane less than 41 passengers per day and may well require subsidy. We are presently seeking a subsidized replacement at 20 of these points, with another 36 cities now requiring 406 subsidy to be added at the termination of 406.

As far as the 193 points in Alaska are concerned, we are unable at this time to provide a reliable estimate of how many will require Federal assistance, since subsidy arrangements for Alaskan cities are slated for substantial legislative changes.

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406 POINTS CONVERTING TO 419 SUBSIDY

Question: In what areas of the country are these points located and how many would convert to 419 subsidy?

Answer: As indicated above, 193 points are in Alaska and at this time, it is not possible to predict, how many will require section 419 subsidy. Of the remaining 146 cities, the majority are located in the upper Midwest (i.e., points currently served by Republic) and in the Plains and Rocky Mountain states where Frontier operates. We expect that 35 of these communities, will be converted to section 419 subsidy in the following states: Kansas - 6; Arizona - 4; Colorado - 4; Michigan - 3; Minnesota, Missouri, Utah, Wyoming, Illinois, and Iowa - 2 each; and New Hampshire, California, Arkansas, West Virginia, Mississippi, and Tennessee - 1 each.

REGULATORY REQUIREMENTS FOR COMMUTERS

Question: Airline deregulation seems to have brought increased regulatory requirements for commuter air carriers. Explain how this comes about and what actions you have taken to minimize the cost to the government and the commuter air carriers.

Answer: The ADA gave certificated carriers unprecedented freedom of market entry and exit, while at the same time it guaranteed a specific level of essential air transportation to all eligible points. */ Under the Act, it was envisioned that at many of these points, a certificated carrier electing to exit the market would likely be replaced by a commuter air carrier. Because of this increased reliance on commuter air carriers in providing air transportation at small and medium-sized communities, and the Act's new emphasis on safety as the highest priority in air commerce, section 419(c)(2) was added which directs the Board to determine whether commuter carriers providing service to any eligible point are "fit, willing, and able to perform such service" and, that all aircraft used in this service conform to the safety standards established by the Federal Aviation Administration. Since virtually all commuters serve at least one eligible point, the Act requires us to determine the fitness of nearly all commuters providing scheduled passenger service.

In making fitness findings under section 419(c)(2) we review data which demonstrate a carrier's managerial capabilities, financial posture, and compliance disposition. For carriers providing essential air service, we also examine data which reflect a carrier's ability to operate its service reliably. To facilitate this review, we adopted an evidentiary rule (14 CFR 204) which outlines the specific data that we need to make fitness findings. In an attempt to reduce the burden

*/ Eligible point is defined by the Act as any point in the United States to which any air carrier (a) is providing service pursuant to a certificate issued under Section 401 or (b) is authorized pursuant to such certificate to provide such service, but such service is suspended.

on commuter carriers in having to supply this data, we indicated in the rule that we would make every effort to obtain this information from other sources including other government agencies (such as the FAA, SEC, NTSB, or our own files) and private contractors (such as the Dun & Bradstreet Corp.) before we request the commuter to supply it. In addition, if the commuter has already been found fit in another proceeding (such as a 401 route case or a 418 all-cargo proceeding), we will rely on that finding, and except in unusual circumstances, not require an additional fitness determination under section 419(c)(2).

DOMESTIC COMPETITION

Question:

With regard to domestic competition, operating authority and pricing, what are your specific goals in fostering a competitive environment while seeking to prevent predatory and anticompetitive practices?

Answer:

The specific goal in fostering a competitive environment was to remove as much government control as possible in order to allow the marketplace to more rationally and quickly allocate resources. Although, to our knowledge, there have been no substantial instances of predatory or anticompetitive conduct, the antitrust features of the Act remain in place to deal with any such problem.

EFFECT OF FARE REDUCTIONS ON WORKLOAD

Question: What affect has the new ability of carriers to implement and respond to fare reductions on very short notice had on the workload of your tariff section?

Answer: The staff recognized early last year that steps would have to be taken to process an ever increasing volume of tariff filings and requests to implement fare reductions on short notice, while at the same time affording the air carriers maximum pricing freedom as we move to a free market system.

The procedural step that inhibited the filing of price reductions quickly was the requirement to first seek authority to do so from this Board. This impediment was removed by issuing a blanket exemption to the domestic air carriers which authorized the filing of fare reductions not greater than one-half of the established standard industry fare level. This has since been modified to permit the filing of fare reductions not greater than 70 percent of the standard industry fare level.

This change in procedure greatly enhanced the ability to reduce fares, and reduced the workload in the Tariffs Division by eliminating one step in the review process.

INCREASES IN FUEL COSTS AND FARES

Question: What effects have increases in fuel costs had on your approval of domestic aviation passenger fares and what do you see as the prospect for the future?

Answer: The Airline Deregulation Act of 1978 (ADA) requires that the Board compute the "Standard Industry Fare Level" (SIFL) and, not less than semi-annually, update it by the percentage change in the actual operating costs per available seat-mile.

The Board, however, separates total operating costs into fuel and nonfuel costs due to the significant difference in escalation rates experienced by these two components. Furthermore, the Board has computed the SIFL nine times since its inception in mid-1979, more than twice as many times as required by the ADA. While the Board originally intended to follow the semi-annual adjustment schedule, it adopted bi-monthly adjustments because of the rapid escalation in fuel prices which have been experienced in several cycles over the past two years. With the moderation in fuel price increases in the second half of 1980, the Board returned to a six month pattern. This, however, has again been changed in response to the most recent fuel price escalation. The Board has established a regulatory zone of flexibility above the SIFL, which at present, is 130 percent of the SIFL fare plus $15. The carriers are thus free, as a result of this adjustment to the zone of flexibility, to pass on cost increases without additional Board approval.

In general, the carriers have adjusted their fares in accordance with the change in the zone of flexibility. To reduce regulatory lag, the Board has also adopted a liberal policy of granting Special Tariff Permission (STP) which permits earlier implementation of price changes. The results are summarized on the attached tables showing SIFL changes and the trend in fuel prices.

We expect future passenger fare increases to reflect a similar pattern.

COACH FARES IN 1979, 1980 AND 1981

Question: Provide a table for the record showing for each of the years 1979, 1980, and 1981, the air fares charged by the various airlines for one-way daytime coach tickets from Washington, D. C. to each of the following cities: Chicago, New York, Miami, Dallas, Seattle and San Francisco.

Answer: See attached table (two pages).

Standard Industry Fare Formulas
Since Implementation on July 1, 1979

C.A.B. Order No.	Effective Date	SIFL FARE LEVEL FORMULA				ESTIMATED SIFL PASSENGER COST PER ASM		Cost Adjustment Factor	Change (Per Cent)
		Terminal Charge	0-500 Miles	501-1500 Miles	Over 1500 Miles	Cost As At	Unit Cost		
-	7-15-77 1/	$16.16	$.0884	$.0674	$.0648	7-1-77	$.04593	1.00000	-
79-6-96	7-1-79	19.86	.1086	.0828	.0796	8-15-79	.05645	1.22904	6.6
79-8-184	9-1-79	21.73	.1189	.0906	.0871	10-1-79	.06177	1.34487	9.4
79-10-172	11-1-79	22.54	.1233	.0940	.0904	12-1-79	.06407	1.39495	3.7
79-12-162	1-1-80	23.27	.1273	.0971	.0933	2-1-80	.06614	1.44002	3.2
80-2-130	3-1-80	23.86	.1305	.0995	.0957	4-1-80	.06782	1.4766	2.5
80-4-211	5-1-80	25.14	.1375	.1049	.1008	6-1-80	.07146	1.5558	5.4
80-6-178	7-1-80	25.92	.1418	.1081	.1039	10-1-80	.07367	1.6040	3.1
80-12-96	1-1-81	24.97	.1366	.1041	.1001	2-15-81	.07028	1.5450	(3.7)
81-2-107	3-1-81	26.39	.1444	.1101	.1058	4-1-81	.07429	1.6331	5.7

1/ Base fare for SIFL (DPFI Fare Formula effective July 15, 1977. See Orders 77-7-26; and page 2 of Appendix A of Order 79-6-96).

Table 1

Recent Trend in Fuel Price Per Gallon
Domestic Trunk and Local Service Carriers
Scheduled Service From July 1978
(Cents)

Month	Domestic Trunk and Local Carriers Fuel Price/Gallon in Scheduled Service			Change From Prior Period		Change From Prior Month			Four Month Moving Average Increase		
	FY 1979	FY 1980	FY 1981	80 vs. 79	81 vs. 80	FY 1979	FY 1980	FY 1981	FY 1979	FY 1980	FY 1981
July	38.75	59.00	88.69	20.25	29.69	-	6.51	.57	-	4.27 2/	.73
August	38.88	63.39	88.64	24.51	25.25	.13	4.39	(.05)	-	4.30	.57
September	38.76	67.14	87.43	28.38	20.29	(.12)	3.75	(1.21)	-	4.36 3/	.07
October	39.06	69.77	87.59	30.71	17.82	.30	2.63	.16	-	4.32	(.13)
November	39.08	71.67	88.73	32.59	17.06	.02	1.90	1.14	.08	3.17 4/	.01
December	39.24	73.78	90.60	34.54	16.82	.16	2.11	1.87	.09	2.60	.49
January	39.83	77.29	94.14	37.46	16.85	.59	3.51	3.54	.23	2.54	1.68
February	40.22	82.81	-	42.59	-	.39	5.52	-	.29	3.26	-
March	41.93	85.79	-	43.86	-	1.71	2.98	-	.71	3.53	-
April	46.19	86.38	-	40.19	-	4.26	.59	-	1.74 1/	3.15	-
May	49.70	87.14	-	37.44	-	3.51	.76	-	2.47	2.46	-
June	52.49	88.12	-	35.63	-	2.79	.98	-	3.07	1.33	-

1/ Used 1.20¢ in SIFL computation. (Monthly average for the six months ended April 30, 1979). See Order 79-6-96.
2/ Used 4.36¢ in SIFL computation. Revised figures indicate an actual four month average of 4.27¢. See Order 79-8-184.
3/ Order 79-10-172.
4/ Order 79-12-162.

SOURCE: CAB Form 41, Schedule P-12(a).

Table II

One-Way Normal Daytime Coach Fares - Third Month of Each Quarter, 1979 to Present
For Selected Washington, D. C. Markets (Including Tax 1/)

(In Dollars)

Market	Carrier 2/	3/1/79	6/1/79	9/1/79	12/1/79	3/1/80	6/1/80	9/1/80	12/1/80	3/1/81
Chicago	AA	80	88	93	106	113	125	137	156	166
	AL	80	-	-	-	-	-	-	-	-
	ML	-	-	-	-	-	85	99	107	107
	NW	80	84	93	101	113	118	137	148	155
	PI	80	83	93	101	107	119	132	147	154
	TW	80	88	93	106	113	125	137	156	166
	UA	80	88	93	106	113	125	137	156	166
Dallas	AA	128	133	149	169	178	188	219	222	233
	BN	128	133	149	169	178	200	220	222	233
	DL	-	-	-	169	178	188	218	212	223
	PI	-	133	149	166	170	191	212	-	-
	TI 4/	-	133	149	161	178	199	219	224	235
Miami	BN	107	111	124	141	150	166	183	189	198
	DL 4/	103	111	118	134	145	157	181	176	185
	EA	107	111	118	141	145	157	200	194	204
	PA 3/	107	107	118	141	145	163	183	194	204
	PI	107	111	124	134	142	158	176	171	179
	QH	106	116	130	140	149	147	157	194	194
	TW	-	-	-	141	149	-	-	-	-
New York	AA	42	46	47	58	60	69	76	76	80
	AK	-	[Commuter Service only-no tariff published]					65	74	58
	AL	41	46	49	58	60	65	71	77	77
	BN	42	44	49	58	60	69	76	87	91
	DL	41	44	47	-	-	-	-	-	-
	EA	42	44	47	51	51	60	60	59	59
	NY	-	-	-	-	-	-	-	49	49
	OZ 4/	42	44	49	48	55	59	65	73	77
	PA 3/	42	44	49	58	60	69	76	81	85
	RC 5/	46	48	51	58	60	65	-	-	-
	TW	42	44	47	58	60	69	76	87	85
	WO 4/	-	29	29	29	-	-	-	-	-

See footnotes on page 2.

One-Way Normal Daytime Coach Fares - Third Month of Each Quarter, 1979 to Present
For Selected Washington, D. C. Markets (Including Tax 1/)

(In Dollars)

	Carrier 2/	3/1/79	6/1/79	9/1/79	12/1/79	3/1/80	6/1/80	9/1/80	12/1/80	3/1/81
San Francisco	AA	225	234	262	311	321	285	362	410	418
	BN	225	234	-	297	-	-	-	-	-
	TW	225	234	249	311	321	284	386	410	418
	UA	225	234	262	311	321	329	386	410	418
	WO 4/	-	-	108	108	202	143	143	143	314
Seattle	AA	-	-	-	-	-	-	334	345	358
	NW	217	217	252	253	261	282	282	341	358
	UA	217	225	252	273	261	347	334	345	358
	WA	-	200	224	253	261	-	-	-	-

1/ Tax- 8 percent through September 30, 1980. Effective October 1, 1980, 5 percent.
2/ Includes only carriers providing direct (single plane) service.
3/ Includes service of NA prior to merger.
4/ Service via BWI only.
5/ Includes service of NC and SO prior to merger.

NOTE: Dash ("-") indicates no single-plane service provided in the quarter.

SUBSIDY PROGRAMS

Question: Briefly describe each of the various programs under which you pay subsidies and distinquish between those programs.

Answer: The Board's subsidy programs can be divided into two broad areas: the long-established subsidy mail pay program under section 406 of the Federal Aviation Act and the new section 419 small communities program established by the Airline Deregulation Act of 1978.

Section 406

The section 406 provisions were originally introduced in the Civil Aeronautics Act of 1938 and remained essentially unchanged until the passage of the Airline Deregulation Act in 1978. The intent of the original law was to underwrite the financial needs of the trunk carriers to support the maintenance and continued development of air transportation in the United States. The system worked well for the country in the early years and was instrumental in nuturing the trunk carriers to self-sufficiency. As the trunk operations became more self-sustaining and, with the advent of the local service carriers at the end of World War II, the trunks began to concentrate their services on larger communities and left smaller cities to be served by the locals. To provide incentives to maintain appropriate service to the small communities. Subsidy payments shifted from the trunks to the locals. However, in the ensuing years, as the locals grew and received more profitable routes, they also began abandoning service to small points. Since section 406 subsidy payments have always been tied to a carrier's system financial need, which contemplates cross-subsidization of uneconomic services by profitable ones, there has been little or no incentive to maintain good service to small communities and, in fact, that service has declined in quality and quantity in the last several years to the extent that, as a means for ensuring good air service to small cities, section 406 is no longer effective.

Under the Airline Deregulation Act, section 406 subsidy was to be gradually phased out of existence by January 1, 1986. The phase-out was intended to afford the local and regional carriers, time to adjust as the industry moves into a deregulated environment. The Administration has proposed that the section 406 program be eliminated at the end of fiscal 1981. In the two and one-half years since the ADA was passed it has become evident that the transition to a deregulated system has progressed at a good pace -- the regional carriers as a whole have actually fared better financially than the trunks and section 419 adequately protects small communities from losing safe and adequate air service.

Section 419

The Airline Deregulation Act substantially eased the ability of air carriers to exit cities. Congress realized that this new freedom to depart cities at will could eventually leave some communities with no air service and, accordingly, it inserted a provision in the Act (section 419) to insure that no community

was left without essential air transportation. Section 419 guarantees continued essential air service to these smaller cities through 1988. The Act further directs the Board to determine the level of essential air service for eligible cities and to set the volume of service that each is entitled to receive.

Certain of the smaller communities do not generate sufficient volume of daily passenger enplanements to sustain a profitable operation by an air carrier and, in such instances, it is necessary for the Federal government to underwrite these operations with tax dollars. Therefore, the Act gives the Board authority to determine what should be the appropriate level of compensation, based on the communities' essential service needs and the appropriate size of aircraft to satisfy those requirements, and to select a carrier to perform the operations.

A key provision of the statute concerns the situation which occurs when a substitute carrier is not available to replace immediately an incumbent that has filed a notice of suspension of service. In that event, the Board is empowered to continue the incumbent carrier's operations for 30 days at a time to prevent any interruption of service until the Board is successful in obtaining a replacement. The Act also provides that a carrier that is ordered by the Board to stay in a market beyond the date the carrier would otherwise have ceased its service is entitled to be compensated for any losses it incurs in serving that market after the last day of the notice period. (If the carrier is receiving compensation under section 406 of the Act, its subsidy continues until the Board relieves it of its obligation to provide air service.)

SUBSIDY PROGRAMS AND FREE ENTRY/EXIT

Question: How do the subsidy programs fit in with the concept of free entry and exit?

Answer: (a) Section 406. Section 406 subsidies are paid to local service carriers, and are based on the losses they incur in serving small communities in their route systems. In 1979 the Board instituted the Service Incentive Payments to encourage the local service carriers to continue serving these communities. However the program places no restrictions on entry or exit. Subsidized carriers are free to exit the markets for which they receive subsidy with a corresponding decrease in their subsidy. Subsidy confers no exclusive market rights to subsidized airlines, so the program does not restrict entry by unsubsidized carriers into markets serving the communities receiving Section 406 subsidized service.

(b) Section 419. A basic tenet of deregulation is that airlines be free to enter and exit air travel markets as their business judgment dictates. However, the framers of the Deregulation Act were aware that certain small communities could not support profitable air service. The Section 419 essential air service subsidies were intended to provide a guaranteed minimum level of service for these small communities, while allowing market forces to operate in markets that can support profitable service. Carriers receiving Section 419 subsidy voluntarily commit themselves to a one or two year contract to provide essential air service. They have no exclusive rights to the markets they serve.

The hold-in provision of the Section 419 subsidy program, allows the Board to hold-in a carrier at a point the carrier wishes to drop in order to retain essential air service until a replacement carrier is found. Carriers held in are compensated for their losses. The Board typically uses this authority to maintain service at small communities where larger carriers pull out and are replaced by commuter carriers. The Board has also used this authority in a few cases to solve transitional problems at larger communities where sudden sharp reductions in service have been proposed. Bakersfield, California is one case where a transitional hold-in has been used. These hold-ins are an exception to the rule of free exit, but we believe they are justified by our responsibility under the Deregulation Act to provide a smooth transition when one carrier exits a market and is replaced by another, and by the temporary and limited nature of the hold-ins.

SUBSIDY DELINEATIONS AND FUTURE NEEDS

Question: The Airline Deregulation Act substantially eased the ability of air carriers to exit cities. Please distinguish between the two types of section 419 compensation and give us your view of the future trend and prospect for funding needs under section 419.

Answer: The first type of 419 compensation -- force-in compensation -- stems from the requirement that the Board compensate a carrier for its losses when it is required to continue service in a market after filing proper notice of its intent to discontinue such service. The final subsidy paid in such cases is based on the carrier's actual losses incurred in providing the forced service. The second type of 419 compensation is longer-term compensation set for future periods in markets which require subsidy to attract service. This "permanent" type of subsidy is based upon an estimate of how much will be required to enable a carrier to earn a reasonable profit during the term of the rate, usually one or two years. For this prospective subsidy the Board has developed an incentive-rate program designed to encourage market development and cost efficiency.

Trend highlights:

- Total 419 compensation will increase significantly and rapidly during the next two to three years and then decline somewhat in real terms.

- Force-in compensation will increase sharply for one to two years before dropping to less than the current level.

- "Permanent" compensation will increase steadily for two to three years before leveling off and then declining in real terms.

The rapid near-term increase in 419 force-in compensation will occur as local service carriers suspend service at 406 points which are not profitable without subsidy. We anticipate a high volume of such activity which will cause the level of force-in compensation to peak, probably within a year, and then decline as replacement carriers gradually replace the 406 carriers. During this transition permanent compensation will

increase, although at a slower rate than the force-in level declines. This will occur because some replacement service will be done on a subsidy-free basis, and most will require less subsidy than the 406 carriers being held in. This transition should take two to three years. After the 419 system is fully in place, the total bill will continue to decline in real terms because of bumping and because some communities will experience traffic growth, thereby causing decrease in subsidy need.

EFFECT OF AIRPORT ACCESS ON COMPETITION

Question: What are the issues involving access to airports which can significantly affect the competitive mandate of the Airline Deregulation Act and serve as potential inhibitors of free market decisions on what airlines will be allowed to serve what airports, and with what frequency?

Answer: Airline access to airports is generally affected by three types of restrictions: environmental, airside congestion, and airport leasing practices. All of the restrictions on access necessarily affect the free marketplace envisioned by deregulation. Some issues affect more than one of the restrictions, but generally the issues are separate.

Environmental For a number of years the Federal Aviation Administration has maintained that the responsibility for noise control rests with the airport owner and operator. Yet the FAA retains the right to review and disapprove any restrictions which affect areas preempted for federal control. The FAA has ceded responsibility for noise because it does not want the liability for damages it might accrue if the FAA were to accept responsibility.

Local governments have taken various steps to control noise. In evaluating each measure, the following major issue arises:

1. To what extent can local governments control noise by legislation without affecting: undue burdens on interstate commerce, carrier selection (prohibited by § 105) safety, or routes flown?

2. Can communities be required to modify ordinances which restrict or eliminate growth, when more pro-competitive methods of controlling noise are available?

Airside Congestion In 1968 long delays were being encountered by aircraft scheduled for Chicago (O'Hare), La Guardia, Newark, Kennedy and Washington National airports. At the behest of the carriers and for safety reasons the FAA limited the number of aircraft operations at those 5 airports. The Civil Aeronautics Board was delegated authority to grant anti-trust immunity to the airline committee which met to divide the landing and take-off rights ("slots"). The issues involved today are clear:

1. Should the FAA impose restrictions on aircraft operations when delays become commonplace, or is the marketplace the best regulator?

2. If the FAA does restrict operations, how should the "slots" be allocated among airlines?

DISCUSSION: To the extent that past performance is used as a basis for future allocations, it clearly discourages new competition from new entrants or existing operators. However, a pro-new entrant policy practically assures continual dilution of the market and reduction in slots by large operators. The large operators may be the most efficient carriers; thus a policy favoring new entrants becomes anti-competitive. If a pricing policy is used to allocate, the carriers are concerned that the proceeds will be used off-airport and that governments will encourage capacity restrictions in order to impose charges; thus reaping monopoly profits. This same question arises with environmental restrictions and the allocation of "noise rights", as well as the allocation of scarce terminal building space. It is important that the allocation process be as neutral as possible; that is, it must not discriminate against any airline, based on size, class, or length of service to the airport.

Airport Leasing Practices Prior to deregulation, airports typically signed long-term exclusive leases with existing carriers for new facilities prior to beginning construction on those facilities. Thus at the beginning of deregulation new carriers and new entrants found major hub airports fully leased. The only way to obtain entrance to the markets was to sublet space from existing carriers. The sublet space was generally priced with a mark-up which produced a significant profit for the existing carrier. The lessee carriers were also placed in a position of choosing their sublessees, and thus could choose to accommodate only those carriers which would not compete directly. Finally, the new competitors usually were faced with accepting gate times at non-peak hours. All of the foregoing practices lessen competition; and in combination create a highly anti-competitive situation.

At most airports the existing lessees form a "User's Committee". This Committee has the power under a joint lease to approve all major new capital facilities. The Committee thus can refuse to approve facilities proposed for a new entrant and preclude competition.

Sometimes the airport operator has acted in concert with the carriers to discourage new entrants; anxious to avoid disruption as well as the additional administrative burden which a new tenant entails.

The issues involved are:

1. To what extent can local proprietors be allowed to negotiate long-term leases which usurp the intent of Congress to provide easy entrance/easy exit?

2. Should the Federal Government try to force reform of leases which will act to limit competition over a long period of time? Does it have the power now to force the changes under the burden on interstate commerce clause?

REDUCED REGULATORY BURDENS FOR NEW ENTRANTS

Question: What actions have you taken to reduce unnecessary regulatory burdens on new entries into the charter industry?

Answer: In March 1978, the Board instituted a special proceeding--the Former Large Irregular Air Service Investigation--to consider applications of persons wishing to provide charter air carrier service. In instituting this proceeding it was the Board's intent to expedite the review of such applications, thereby encouraging new entry into this field. To accomplish this, a standard evidence request for all applicants and a procedural framework for acting on such cases were established. The Board also made an overall finding that there is a need for additional charter service, thus eliminating the need to make a specific "public convenience and necessity" finding for each applicant's proposed service.

In October 1980, the Board revised and reduced the evidence requirements for each application; deleted the requirement that each applicant prepare an environmental evaluation of its proposed service; expanded the scope of the proceeding to include transatlantic cargo and domestic all-cargo service [previously applicants seeking such authority had to file and prosecute such requests in separate proceedings]; and eliminated the need for the applicant to serve copies of its application on all other applicants in the case. These changes have resulted in a reduction in the burden of seeking charter certification. Since the Case was instituted in 1978, close to 120 applications for charter authority have been received and over 50 new carriers have been certificated. */

LONG-RANGE GROWTH IN SUBSIDY

Question: What is the long range outlook for growth in air carrier subsidy payments?

Answer: Once the 406 program is eliminated, subsidy payments should decline rapidly as the points enplaning more than 100 passengers per day lose their subsidy entirely. At this point the 406 carriers will file notice to suspend at those communities where profitable service is impossible for them to provide. In most instances, it will be necessary to hold these carriers in these communities as replacement carriers are sought. As replacement carriers are found, subsidy payments should continue to decline, although at a slower rate, as the subsidy payments to replacement carriers will be less than the hold-in payments to the 406 carriers. Eventually, the basic 419 system of subsidized points will be in place. From that point subsidy payments should increase with time, but not in real terms. Many points probably will need to be subsidized for the foreseeable future, and payments

*/ Approximately 40 applications have been dismissed without prejudice either at the request of the applicant or for lack of prosecution of their applications.

for these points will undoubtedly increase at approximately the same rate as inflation. Other communities, however, should exhibit enough traffic growth to cause either a decrease in subsidy payments or the elimination of subsidy entirely.

ESSENTIAL AIR SERVICE PROGRAM DEVELOPMENT

Question: Describe in detail the progress you have made toward establishing a fully operational essential air service program.

Answer: The major and immediate requirement for the essential air service program after passage of the Airline Deregulation Act was to review all suspension notices filed by carriers under the revised section 401(j) and the new section 419(a)(1) and to prohibit those suspensions that would impact on essential air service. Procedures for the filing of these suspension notices, for communities to respond and for the Board to address these notices were established shortly after passage of the Act. Under these procedures we have handled all notices in accordance with the time periods established by the notice provisions of the Act, and we have reviewed over 300 notices involving the suspension of all service by a carrier at a point.

In those cases where we require the incumbent carrier to continue service at a point because its suspension would deprive the community of essential air service, we are directed by the Act to seek replacement service and to allow the incumbent to suspend as soon as the replacement service is available. Securing this replacement service is now the largest part of the program effort and entails the greatest expenditure of staff resources. Initially we issue an order soliciting carrier proposals to provide essential air service at the point. Once proposals are filed, we evaluate the fitness and operating capabilities of the applicants, review the financial status of the applicants and the subsidy proposed, and obtain community input. Often we meet with community representatives. Our policy and procedures for carrier replacement cases have evolved considerably since the initial replacement cases, as new and additional circumstances and requirements have arisen. They are now well established, and we are currently handling a considerable number of replacements cases.

As also required by the Act, we must determine the essential air service level for all certificated points served by fewer than two certificated carriers. Our policy and procedures for making these deteminations were established in August 1979, and this process is functioning smoothly. Further details on this aspect of the program are provided in the answer to question 23.

Another aspect of the essential air service program is the review under section 419(b) of points deleted from carrier certificates. The Act directed the Board to establish criteria for this review by the end of 1979 and to complete its review of the individual points by the end of 1981. The criteria were adopted in December 1979 as Part 270 of our regulations. We then sent questionnaires to the communities to obtain their information and views. We are now issuing orders reviewing these points and will be completed with this process by the end of the year.

In addition to the formal aspects of the program, i.e., the processing of suspension notices, the handling of replacement cases, with or without subsidy, the issuing of essential air service determinations or eligibility determinations under 419(b), the Board actively works with communities on an informal basis regarding essential air service matters. We publish service data that communities use to attract new carriers, we hold meetings with communities and carriers to discuss the carriers' future service plans and what options are available to the community, we apprise carriers of new service opportunities and we assist in resolving problems that may affect essential air service such as fuel allocation or airport access problems. Particularly instrumental in this area is our Office of Community and Congressional Relations which through its regional representatives maintains a constant dialogue with state and local officials and air carrier management, helping to resolve minor problems and explaining Board procedures and policy. This effort has been extremely helpful in fostering cooperation between carriers and communities, in affording good communication of data and information to and from the Board, and in overcoming potential problems.

In conclusion, over the past two years we have worked to develop a comprehensive program to address essential air service requirements of communities, and we believe the program and procedures are now well established to meet the requirements and directives of section 419. Once the subsidy program under section 406 of the Act terminates, the small communities program will become fully operational.

PROBLEMS IN SELECTING CARRIERS FOR 419 SUBSIDY

Question: What problems have you experienced in selecting carriers for section 419 subsidy awards?

Answer: Early into the program we recognized that we needed to adopt a standard set of procedures in order to establish a consistent approach to each carrier selection case. This was important for several reasons: it assured due process; it informed the carriers and the communities of their respective responsibilities in each case; and, it expedited the carrier selection process.

Also, in initial cases,/ we discovered that we knew very little about the ability of some applicants to provide essential service in a reliable fashion. Therefore, in addition to financial audits, we instituted operational audits of each carrier applying for essential air service at a point. In these audits, two members of the Board's staff visit the headquarters of the carrier and conduct an extensive review of the airline's operations, including maintenance procedures, spare parts inventories, marketing ability, management expertise, and many other factors bearing on its ability to operate reliably. The results of these audits are given considerable weight in the Board's decisional process.

Finally, in the first 2-3 carrier selection cases, subsequent to the selection of a carrier to provide essential air service and prior to setting a final subsidy rate, we discovered that the compensation originally requested by the designated carrier in its

proposal was being negotiated upward. To avoid such occurences in the future, the Board's staff introduced the procedure of conducting a rate conference with each applicant carrier to review the compensation request submitted in its proposal. At the end of each conference, an agreement between the carrier and staff is reached wherein the carrier, if selected, obligates itself to providing the service at a fixed rate each year for, usually, a two-year period. The agreed-to rate then forms the basis for consideration by the Board prior to selecting a carrier.

We believe this process resulted in acquiring adequate essential service at the most reasonable cost.

HOW "ESSENTIAL" AIR SERVICE IS DETERMINED

Question: Please summarize for the record how "essential" air service is determined under section 419.

Answer: As directed by section 419 of the Act, we were required to issue essential air transportation determinations for all points that were certificated as of October 24, 1978, and were served by no more than one certificated carrier. 555 points in the domestic air system fell into this category, 228 of which are in Alaska. In addition, we are required to issue determinations for all points previously served by more than one certificated carrier but because of suspensions by one or more carriers subsequently are served by only one carrier. The Act directs us to consult with community and state representatives prior to making our determinations. It also established minimum essential air service levels.

In early 1979, we held a series of regional meetings throughout the country to obtain the views of community and state representatives, as well as other interested parties, on the essential air service requirements of communities and the program in general. We received extensive input at these meetings, and in August 1979, based on this input, we issued guidelines for individual essential air service determinations, Part 398 of our Regulations, which outlines the policy for making these determinations. We also adopted procedures for issuing the determinations.

In accordance with these procedures, whenever we are required to make a determination we send a detailed questionnaire to the civic official of the community and to the state transportation agency requesting general information about the community including population data, location, alternative public transportation, airport facilities, and service requirements. Our Bureau of Domestic Aviation reviews the completed questionnaires and historic traffic and service information, and based on the policy in Part 398, issues the essential air service determination. The community or any other interested party then has 60 days to appeal the Bureau's determination. When an appeal is filed, we appoint a three member panel consisting of the General Counsel and the Directors of our Office of Community and Congressional Relations and our Bureau of Domestic Aviation to review the determination and the issues raised in the appeal and to submit a recommendation to the Board for its final decision. Usually the appeals panel holds

a meeting in the community. This affords all persons an opportunity to present any relevant information and views on the service needs of the community. Afterwards, the panel submits its recommendation, and the Board issues its final decision.

Finally, as provided for in our procedures, we will review the determinations periodically. In addition, should circumstances at the community change so as to warrant a different essential air service determination, the community may petition for modification of its determination and we will reconsider it.

CITIES RECEIVING SECTION 419 SUBSIDY

Question: Which cities are currently receiving subsidized essential air service and what is your projection through fiscal 1982?

Answer: The following table lists the communities which are served by carriers receiving 419 compensation pursuant to Board decisions in carrier selection cases.

Communities	Carriers	Annual Amount
Plattsburgh, Massena, Watertown, Saranace Lake, Ogdensburg, NY	Air North	$727,023
London/Corbin, KY	Air Kentucky	241,214
Chico, California	WestAir Commuter	186,972
Crescent City, California	WestAir Commuter	142,024
Catskill/Sullivan County, NY	New Haven Airways	375,858
Glasgow, Glendive, Havre, Lewiston, Miles City, Sidney, Wolfpoint, Montana; Williston, North Dakota	Big Sky Airlines	1,713,972
McAlester, Stillwater, Oklahoma; Paris, Texas	Metro Airlines	978,325
Danville, Virginia	Mid South	236,452
Astoria, Oregon	Cascade	121,314
Alamogordo, Silver City, New Mexico	Air Midwest	446,783
Sidney, Alliance, Chadron, Nebraska	Pioneer	493,879
El Dorado/Camden, Arkansas	Scheduled Skyways	440,726
Natchez, Mississippi	Royale	371,011
Kirksville, Missouri	Green Hills Aviation	336,784

Comunities	Carriers	Annual Amount
Santa Fe, New Mexico	Pioneer	232,238
Hot Springs, Virginia	Colgan	233,257
Kokomo, Indiana	Direct Air	281,966
West Yellowstone, Montana	Aspen	$134,159
Glenn Falls, NY	Courtesy	95,777
Lewiston/Auburn, MA	Bar Harbor	317,358
Hazleton, Pennsylvania	Perkiomen	225,151

There are 20 carrier selection cases (involving 26 points) currently in various stages of processing. We expect about 35 additional cases during Fiscal 1982.

CITIES WITH HOLD-IN SERVICE

Question: For which communities have you found it necessary to order the encumbent carrier to continue service due to the lack of a substitute carrier and what do you see as the trend for the future in this regard.

Answer:

Community	Carrier	Period
1. Carlsbad, New Mexico	Texas International	2/1/79-6-30-79
2. Hobbs, New Mexico	Texas International	2/1/79-6/30/79
3. Jamestown, North Dakota	Northwest Orient	2/11/79-4/1/79
4. Plattsburg, New York	USAir/Air North	3/7/79-2/27/80
5. Massena, New York	USAir/Air North	3/7/79-2/27/80
6. Watertown, New York	USAir/Air North	3/7/79-2/27/80
7. Saranac Lake/Lake Placid, New York	USAir/Air North	3/7/79-2/27/80
8. Ogdensburg, New York	USAir/Air North	3/7/79-2/27/80
9. Rutland, Vermont	USAir	3/7/79-7/5/79
10. Sullivan County, New York	USAir/Ransome	3/9/79-6/29/80
11. Santa Maria, California	Hughes Airwest	3/15/79-4/30/79
12. Paris, Texas	Metro	3/24/79-7/3/81
13. Clarksburg/Morgantown, West Virginia	USAir	3/27/79-3/28/79
14. Sun Valley, Idaho	Key	4/2/79-5/31/79
15. London/Corbin, Kentucky	Piedmont	4/22/79-3/31/80
16. Enid, Oklahoma 1/	Frontier	4/22/79-8/18/79
17. Ponca City, Oklahoma 1/	Frontier	4/22/79-8/18/79
18. Hot Springs, Virginia	Piedmont	4/29/79-4/1/81
19. Presque Isle, Maine	Delta	5/13/79-8/13/79
20. Danville, Virginia 2/	Piedmont	5/13/79-10/1/79
21. Crescent City, California 3/	Hughes Airwest	6/1/79-1/1/80

1/ See numbers 16, 17, 74, and 75.
2/ See numbers 20 and 57.
3/ See numbers 21, and 61.

Community	Carrier	Period
22. North Bend/Coos Bay, Oregon	Hughes Airwest	6/1/79-6/30-79
23. New Bern, North Carolina	Piedmont	6/3/79-3/30/80
24. Rocky Mount/Wilson, North Carolina	Piedmont	6/6/79-3/2/80
25. Merced, California	United	6/8/79-7/7/79
26. Visalia, California	United	6/8/79-11/18/79
27. Silver City, New Mexico 4/	Frontier	6/29/79-12/26/79
28. Alamogordo, New Mexico 5/	Frontier	6/29/79-12/26/79
29. Glasgow, Montana	Frontier	7/2/79-7/1/80
30. Glendive, Montana	Frontier	7/2/79-7/1/80
31. Havre, Montana	Frontier	7/2/79-7/1/80
32. Lewistown, Montana	Frontier	7/2/79-7/1/80
33. Miles City, Montana	Frontier	7/2/79-7/1/80
34. Sidney, Montana	Frontier	7/2/79-7/1/80
35. Wolf Point, Montana	Frontier	7/2/79-7/1/80
36. Williston, North Dakota	Frontier	7/2/79-7/1/80
37. Clarksville/Ft. Campbell, Kentucky	Ozark	7/9/79-11/5/79
38. Sidney, Nebraska	Frontier	7/23/79-12/1/80
39. Alliance, Nebraska	Frontier	7/23/79-12/1/80
40. Chadron, Nebraska	Frontier	7/23/79-12/1/80
41. Columbus, Nebraska	Pioneer	8/29/79-open
42. Kearney, Nebraska	Pioneer	8/29/79-open
43. Hastings, Nebraska	Pioneer	8/29/79-open
44. McCook, Nebraska	Pioneer	8/29/79-open
45. Clearfield, Pennsylvania	Penn. Commuter	9/19/79-open
46. Winona, Minnesota	Republic	9/20/79-11/20/79
47. Chico, California 6/	Air Pacific	10/1/79-12/26/79
48. Camden/El Dorado, Arkansas 7/	Air Illinois	10/1/79-5/1/80
49. Natchez, Mississippi 8/	Air Illinois	10/1/79-3/1/80
50. Jackson, Mississippi	Air Illinois	10/1/79-5/1/80
51. Bakersfield, California	United	10/28/79-1/31/80
52. Modesto, California	United	10/28/79-3/15/80
53. Stockton, California	United	10/28/79-3/15/80
54. Youngstown, Ohio	United	12/2/79-4/1/80
55. Chico, California 6/	WestAir	12/27/79-6/30/80
56. Sheridan, Wyoming	Western	1/4/80-6/8/80
57. Danville, Virginia	Cardinal/ Air Virginia	1/7/80-7/1/80

4/ See numbers 66 and 27.
5/ See numbers 67 and 28.
6/ See numbers 55 and 47.
7/ See numbers 48 and 72.
8/ See numbers 64 and 49.

Community	Carrier	Period
58. Salem, Oregon	United	1/8/80-2/9/80
59. Pocatello, Idaho	Western	1/15/80-7/26/80
60. Jackson, Mississippi	Republic	1/15/80-open
61. Crescent City, California 9/	Century	1/16/80-6/30/80
62. Kirksville, Missouri	Green Hills	2/1/80-12/1/80
63. New Bedford, Massachusetts	NorEast	2/20/80-open
64. Natchez, Mississippi 10/	Royale	3/1/80-10/20/80
65. Aguadilla, Puerto Rico	Sun International	3/24/80-open
66. Silver City, New Mexico 11/	Air New Mexico	4/1/80-7/31/80
67. Alamogordo, New Mexico 12/	Air New Mexico	4/1/80-7/31/80
68. Montrose, Colorado	Aspen	4/1/80-1/26/81
69. Harrison, Arkansas	Scheduled Skyways	4/1/80-9/28/80
70. Elkins, West Virginia	Aeromech	4/6/80-open
71. Flint, Michigan	United	4/27/80-5/25/80
72. Camden/El Dorado, Arkansas 13/	Jamaire	5/1/80-11/25/80
73. Moses Lake, Washington	Cascade	5/1/80-open
74. Enid, Oklahoma 14/	Air Midwest	5/6/80-open
75. Ponca City, Oklahoma 14/	Air Midwest	5/6/80-open
76. Albany/Corvallis, Oregon	Air Oregon	5/10/80-open
77. West Yellowstone, Wyoming	Western	6/1/80-5/31/81
77. Hazelton, Pennsylvania	Penn. Commuter	6/27/80-2/1/81
79. Eureka/Arcata, California	Century	7/4/80-11/14/80
80. Brunswick, Georgia	Ocean	8/10/80-9/20/80
81. Ottumwa, Iowa	Mississippi Valley	8/20/80-open
82. Clinton, Iowa	Mississippi Valley	8/20/80-open
83. Santa Rosa, California	WestAir	8/20/80-open
84. Mt. Vernon, Illinois	Air Illinois	10/1/80-open
85. Jonesboro, Arkansas	Semo	10/10/80-open
86. Wenatchee, Oregon	Cascade	10/11/80-open
87. Oxford, Mississippi	Republic	1/1/81-open
88. Devils Lake, North Dakota	Republic	1/15/81-open
89. Jamestown, North Dakota	Air Wisconsin	3/4/81-open

9/ See numbers 21 and 61.
10/ See numbers 64 and 49.
11/ See numbers 66 and 27.
12/ See numbers 67 and 28.
13/ See numbers 48 and 72.
14/ See numbers 16, 17, 74, and 75.

Should section 406 be terminated by the next fiscal year, we expect an immediate substantial bulge for points where we anticipate ordering the incumbent carrier to continue to provide service. About half of these points may require subsidy to maintain an essential level of air service, carriers serving the remainder of the points would simply be held in for a transitional period while we seek a replacement. We expect a normal turnover of one or two cases per month after this initial transfer.

EFFECT OF DEREGULATION ON MEDIUM-SIZED CITIES

Question:

Please describe the affect of deregulation on medium-sized cities and give us your analysis of this situation along with whatever recommendations you have in this regard.

Answer:

Since deregulation, medium-sized cities--defined as most medium and small hubs together with some of larger non-hubs--have generally lost service. For example, comparing December 1980 with December 1978, the number of weekly departures declined by 4.2 percent at medium hubs, 5.5 percent at small hubs and 8.2 percent at non-hubs while weekly departures increased by 1.1 percent at large hubs. These results are contrary to expectations and are transitional as the following analysis will explain.

Air transportation which can be economically provided, which is to say at a level of profitability sufficient to permit the replacement of capital, has been and will in the future be provided wherever demand warrants as suggested by the success of the commuter industry. This includes very small points and markets--markets and points well below the average size for even commuter carriers. This means that in the long run all markets and points will receive service commensurate with the level of demand, absent airport or other constraints.

On the other hand, it is also true that at any given point the supply of air transportation, which is finite and equal to the size of the fleet at its maximum feasible utilization, will be allocated to the most profitable uses. Hence, if there is insufficient supply, measured against all opportunities, the least profitable markets or points will not be served or will be underserved even though they may be profitable.

It is generally agreed that the allocation of supply according to profit maximization is the most efficient method from the point of view of the national economy. In air transportation, public policy favors the use of this mechanism except where the level would fall below a given minimum, called "Essential Air Service", which triggers government intervention to preserve the service. Based on the performance of each carrier group, as set forth in the table below, the major cutbacks in service should have occurred in the largest markets served by the trunk carriers:

Carrier Groups	Overall Market Share (RPM)	1980 vs. 1979 RPM	1980 vs. 1979 Enplanements
1. Trunks	85%	- 6.9	- 9.6
2. Local Service	11	+ 8.5	- 1.0
3. Former Intrastate and New Entrants	3	+10.0E	+12.0E
4 Commuters	1	+11.0E	+18.0E

However, the opposite is the case. In general terms, both service and capacity losses were greater at smaller points, including small and medium hubs, than at the largest traffic-generating hubs. This is shown by the following table, which compares the months of June and December 1980 to the same months in 1979 for weekly departures and weekly capacity (i.e., available seats) by airport category:

Table 2

1980 vs. 1979 - Percent Change

	Departures		Departures	
Airport Type	June	December	June	December
Large Hub	- 1.7	- 4.1	- 0.4	- 4.1
Medium Hub	- 5.8	- 7.3	- 5.8	- 9.3
Small Hub	- 3.6	- 7.1	- 3.6	- 6.2
Nonhub	-10.5	-10.1	- 7.6	-12.0

The explanation for this paradox is three-fold. First, the long-run trends towards specialization have accelerated rapidly under deregulation in the last two years. Trunk carrier withdrawals from smaller points and shorter stage length and smaller city-pair markets on their systems have led to replacement by local service carriers, that have in turn withdrawn service from smaller points and markets on their systems. Commuter carriers, in turn, have filled voids largely created by the local service carriers and in so doing reduced or eliminated service in their smallest markets. Second, also as the result of deregulation, the local service carriers have instituted new long-haul service to out-of-region points based on hub-and-spoke traffic feed. These expansions have resulted in withdrawing part of the fleet from less profitable shorter stage length and smaller markets. Third, short-haul traffic has been generally strong because the changing relative cost relationship between air and automobile travel has been favorable to air--which is to say that the demand for short haul air travel has remained buoyant.

The combination of these factors has resulted in a temporary shortfall of aircraft capacity at the lower end of the market spectrum. However, this shortfall is being rapidly corrected by market forces. As indicated by Table 1, the non-trunk group is experiencing rapid traffic expansion even in the middle of a major recession. As a result, the non-trunks have been profitable and many are able to raise capital with relative ease despite adverse general economic conditions. Moreover, wholly new entry by carriers proposing to operate jet aircraft is now occurring at an unprecedented rate, as indicated by the following summary of applications on file with the Board:

Table 3

New Entrants Proposing
DC-9 or B-737 Operations--
Cities Certificated or Applied For

Air International (Leased DC-9-10's)

Erie, Binghamton, Newark, Chicago, Pittsburgh, Elmira, Philadelphia, South Bend, Toledo, Allentown, Harrisburg, Akron, Fort Wayne, Denver, Little Rock, Memphis, Oklahoma City and Tampa.

Sun Pacific (DC-9-10's)

San Francisco, Fresno, Bakersfield, Las Vegas, Los Angeles and Ontario

Wings International (B-737)

New York-Los Angeles

Jet America (Leased DC-9's then purchase 2 DC-9-80's)

Long Beach-Chicago

New York Air (now operating 6 DC-9's)

New York, Boston, Washington, Albany, Rochester, Syracuse, Buffalo, Cleveland, Pittsburgh, Detroit, Columbus, O., and Dayton

Additional Points Requested after Certification:

Atlanta, Atlantic City, Baltimore, Charlotte, Chicago, Columbus,S.C., Greensburg, Greenville/Spartanburg, Hartford, Islip, Jacksonville, Louisville, Memphis, Milwaukee, Nashville, Norfolk, Philadelphia, Providence, Raleigh/Durham, Richmond, St. Louis and White Plains

Muse (DC-9 then DC-9-80's)

Atlanta, Austin, Brownsville, Chicago, Cincinnati, Cleveland, Corpus Christi, Dallas/Ft. Worth, Detroit, Harlingen, Texas, Houston, Indianapolis, Kansas City, Little Rock, Louisville, McAllen, Texas, Memphis, Nashville, New Orleans, Oklahoma City, Pittsburgh, St. Louis, San Antonio and Tulsa

To protect medium-size communities against sudden and severe reductions in service resulting from a temporary shortage of supply the Board adopted a transition policy. This policy deals with instances where an incumbent carrier proposes a substantial reduction or the elimination of service at a point where the traffic levels are above the level at which demand at a community is presumed capable of supporting air service without government subsidy. If a significant portion of the point's traffic would not be accommodated by the available alternative service, the Board will consider making a finding of a "major transitional problem" and issuing a transitional EAS determination. It may then prohibit the reduction or withdrawal until adequate replacement service is in place. This policy was first implemented at Bakersfield, California, and has been followed at five other medium-size communities. In each of these cases, the transition to replacement service was completed within six months of the date when the terminations would otherwise have taken place.

Nevertheless, many medium size communities still have significant air service problems. Those communities which perceive air service to be deficient or prices excessive have available short-run remedies which can be used to induce the provision of new service at acceptable prices in advance of the introduction of such service as the fleets are expanded. Airport authorities in particular are in a position to make financial concessions to carriers to commence operations at the airport or in city-pair markets by means of inkind

subsidies. These can include, but are not limited to, free or reduced rental expenses and the provision of ancillary service at free or reduced rates. In addition, the airport authorities or the cities concerned, or both, can themselves engage in the promotion of new service in the local public media and by other means. Promotion can also be a function of civic associations such as the Chamber of Commerce. By these means, a carrier may well be induced to offer service ahead of the time it would otherwise be offered and possibly at lower prices.

In addition to inkind subsidies and promotion, local and state interests which genuinely feel that air service should be stimulated ahead of the level warranted by market conditions should seriously consider direct financial aid to the carrier to induce the provision of service.

Finally, and most important and least costly, cities and airport authorities frequently possess local information concerning the potential for market development. The dissemination of this information to air carriers may very well cause them to seriously investigate the possibility of new air service and, in some cases, undertake such service. At this time the importance of such information could be critical given the volume of new entry now taking place and the expansion of the regional and commuter carrier fleets. Obviously, all elements of the non-trunk group are scanning the overall market, and those carriers seeking to penetrate the surface travel market by means of offering air travel prices competitive with automobile costs should be particularly receptive to specialized information on local market conditions.

ADEQUACY OF SERVICE TO SMALL AND MEDIUM-SIZED COMMUNITIES

Question: What efforts have you made to assure an acceptable level of service to small and medium sized communities?

Answer: The Airline Deregulation Act contains certain safeguards which assure that small communities will receive adequate air service. For example, the law requires that the Board determine the level of service that is essential to assure an eligible small community access to its primary communities of interest and to the national air transporation network. If a carrier's actions result in service falling below the level determined by the Board to be essential, it must file a notice with the community and the Board. As a check on this requirement, the Board periodically monitors carriers' operational levels to assure that essential air service is being maintained. Also, the law requires us to hold-in an incumbent carrier that has filed a notice to suspend its service until adequate replacement service is secured.

Considerably less protection is afforded medium-sized cities under the Act. In early 1979, the Board recognized that it needed to formulate procedures which would protect these communities from sudden, large reductions in the capacity. Therefore, the Board adopted a "transitional" policy which guarantees mid-sized cities, which have received suspension notices, a sufficient number of seats to accommodate all of the traffic until the replacement is able to assume full responsibility for the service. In addition, during the past year we held a series of regional meetings for medium-sized communities to discuss their service problems and

needs. The discussions were successful and informative. As a result of these, we may hold meetings with airport managers to discuss their problems. We are also considering a suggestion made at these meetings that route protection be used as a mechanism to encourage service in markets where dormant authority is available. Furthermore, in order to assist the cities gain service, we have begun publishing, on a regular basis, data indicating service level changes for all points.

IMPACT OF TERMINATING SECTION 406 SUBSIDY

Question: Provide for the record a detailed listing of the impact of terminating the section 406 subsidy.

Answer: We have attempted to identify those cities in all states but Alaska which we believe will be affected by the elimination of section 406 subsidy. We anticipate that suspension notices will be filed at these cities shortly after section 406 expires. Thie list is divided into two groups: (1) those points which enplane 40 or fewer passengers daily which may continue to need subsidy to support an essential level of air service and require the Board to select a carrier to provide that service; and, (2) those cities which enplane between 41 and 100 daily passengers that are currently receiving section 406 subsidy/and could be abandoned by the local and regional carriers but are likely to be replaced by commuter carriers on a non-subsidized basis.

Points enplaned 40 or fewer daily passengers categorized by state:

Arizona - Kingman, Page, Prescott, and Winslow
Arkansas - Harrison
California - Blythe
Colorado - Alamosa, Cortez, Lamar, and Steamboat Springs/Hayden/Craig
Iowa - Ft. Dodge and Mason City
Illinois - Marion/Herrin and Rockford
Kansas - Dodge City, Garden City, Goodland, Great Bend, Hutchinson, and Independence/Coffeyville/Parsons
Michigan - Alpena, Ironwood, and Sault Ste. Marie
Minnesota - International Falls and Thief River Falls
Mississippi - Tupelo
Missouri - Ft. Leonard Wood and Cape Girardeau/Sikeston
New Hampshire - Keene
Tennessee - Jackson
Utah - Cedar City and Vernal
West Virginia - Beckley
Wyoming - Cody and Worland

Points enplaning from 41-100 daily passengers categorized by state:

Alabama - Tuscaloosa and Muscle Shoals/Florence/Sheffield/Tuscumbia
Colorado - Pueblo
Georgia - Valdosta
Idaho - Lewiston
Illinois/Missouri - Quincy/Hannibal

Kansas - Manhattan and Salinas
Michigan - Benton Harbor, Chisolm/Hibbing, Escanaba, Hancock/Houghton, Ironwood, and Pellston
Minnesota - Bemidji and Brainerd
Mississippi - Greenville, Laurel/Hattiesburg, and Meridian
Nebraska - North Platte and Scottsbluff
Oregon - Bend/Redmond and Klamath Falls
South Carolina - Florence
South Dakota - Aberdeen, Pierre, and Watertown
West Virginia - Greenbrier
Wisconsin - Eau Claire and Rhinelander
Wyoming - Cheyenne, Laramie, Riverton/Lander, and Rock Springs

At the present time, fiscal year 1982 payments to air carriers are estimated at 113.6 million. With the termination of section 406 at the end of this fiscal year, subsidy payments should be reduced to $58 million, a savings of $55.6 million.

SAVINGS FROM SECTION 406 TERMINATION

Question: The Carter budget included $88.5 million for carriers operating under Section 406. Detail how much of this amount you now expect to save?

Answer: Under the President's proposal to terminate the Section 406 subsidy program at the end of FY 1981 the gross savings in FY 1982 will be $88.5 million, with a total savings of almost $210 million over the next five years.

However, part of the 1982 Section 406 reduction will be offset by an additional $32.9 million that the President recommends be provided for our Section 419 program for small communities. $10.9 million of this additional amount will be used to provide continued subsidized service to Alaskan points. The remaining increase--$22 million--will enable service to continue at points in the lower 48 states affected by the elimination of Section 406 until replacement carriers are found. The net savings in FY 1982 that will result from the proposed termination of Section 406 is $55.6 million.

SMALL VS. LARGE CARRIER PERFORMANCE

Question: How would you characterize the success of the trunk carriers versus the smaller carriers in adjusting to the emerging competitive free market enviroment? Provide specific statistical detail along with your analysis of the causes of the current situation.

Answer: During the 1970's the local service industry (with subsidy) have always had a higher operating profit margin than the system trunks. This gap in favor of the local service industry, however, has widened with deregulation.

12 Months Ended	Operating Profit Margin (Operating Profit As A Percent of Operating Revenues) System Trunks	Local Service	Percentage Points Locals Over Trunks
March 1978	4.7	6.8	2.1
June 1978	5.4	7.5	2.1
Sept. 1978	6.4	7.8	1.4
Dec. 1978	5.9	6.3	0.4
March 1979	5.1	5.7	0.6
June 1979	4.1	6.5	2.4
Sept. 1979	1.5	5.6	4.1
Dec. 1979	0.1	4.6	4.5
March 1980	(1.2)	4.1	5.3
June 1980	(2.6)	2.5	5.1
Sept. 1980	(2.3)	2.9	5.2
Dec. 1980	(1.6)	4.4	6.0

Thus the local service carriers as a group have been able to cope with deregulation better than the trunks. Basically this has occurred, since the locals, with liberalized entry under deregulation, were able to selectively move into trunk markets where they previously had no authority. Since the locals had control of much of the short haul connecting traffic feed into such hubs as Pittsburgh and Denver, they were able, under deregulation, to selectively add some medium/long haul service out of these hubs to take advance of the traffic feed they controlled. The ability of the trunks, in turn, to invade local service markets was of little or no value to the trunks since these were basically short haul, low density markets.

While the locals as a group have generally done better under deregulation than the trunks as a group, there are very mixed trends within each carrier group. Among the trunks, for example, Delta has done very well under deregulation while Braniff has done poorly. Among the locals, USAir, Piedmont and Frontier have done well while Hughes Airwest (now Republic West), Republic and Ozark have not fared too well. Republic West and Ozark, however, were hit by strikes while Republic has suffered from merger integration problems.

DENIED BOARDING COMPENSATION EXPERIMENTS

Question: What leeway have you given the carriers to experiment with denied boarding compensation, and what has been the results?

Answer: The Board has given carriers a great deal of flexibility to experiment with ways of resolving no-show and oversales problems. First, overbooking is only one approach to reducing no-shows. Carriers are, to a much greater degree than in the past, offering "conditional" reservations and standby fares, as well as imposing no-show and cancellation penalties in an effort to reduce no-shows and reservations turn over in general. Second, we are encouraging airlines to apply for exemptions to our overbooking regulations when they want to experiment with alternatives to our rules. Several carriers, for example, have begun to offer "gift certificates" of free or reduced rate air transportation in lieu of the cash payments to bumped passengers set forth in our rules. We

have also offered exemptions from Part 250 to airlines providing small-plane service so they can develop their own procedures. Relatively few small carriers have implemented these exemptions, however. We believe this is because, in addition to providing a minimum level of compensation for passengers who are bumped, an airline that complies with Part 250 greatly reduces its vulnerability to litigation, and it appears that most carriers view this as a fair trade-off.

PROJECTED CONSUMER PROTECTION RULEMAKINGS

Question: What are your projections in this regard for the coming year?

Answer: We now have a pending rulemaking proceeding that examines whether carriers using smaller aircraft should be subject to Part 250, and we have set June 1, 1981 as the target date for completing this proceeding. During this year, we will also reconsider the rule's applicability to the entire industry. Finally, we will continue to consider exemption requests from any carriers who want to experiment with other means of handling oversold passengers.

DEVELOPMENT OF RELIEVER AIRPORTS

Question: What are you doing to encourage the development and use of reliever airports?

Answer: The Board has no specific authority in the development or use of airports. However, the Board has worked with several airport operators to assure equitable and fair treatment for airlines which are new to a community as well as airlines that have historically served the community. In some cases our efforts have involved secondary or reliever airports in a major metropolitan area.

The Board welcomes the Federal Aviation Administration's recent fee cut at Dulles Airport, because it will help encourage airlines to shift operations away from busy National Airport. The Board's staff has offered the idea of using landing fees that will encourage more balanced use of a region's principal airports and secondary, reliever airports, by creating fee differentials such as now exist between National Airport and Dulles Airport.

Indirectly, the Board's fare flexibility policy encourages the use of secondary airports. By offering lower fares, an airline can induce travelers to use flights serving a less convenient airport; wheras, when fares were regulated to be equal, flights out of secondary airports were not able to compete.

ACCELERATED SUNSET

Question: We occasionally hear some interest expressed in accelerating the "sunset" date of the CAB (now scheduled for January 1, 1985). In your opinion should this date be accelerated?

Answer: While the Board has not determined its position on an accelerated sunset, I do not believe we would object to acceleration. A significantly earlier sunset, however, would pose definite -- though not insurmountable -- personnel management difficulties. The current 1985 date for the Board's sunset provides us with adequate time to provide employees with up to a year's notice prior to their separation or transfer and allows us some time to retrain and outplace employees in functions scheduled for abolishment. It also gives employees time to plan and adjust to career and job changes. A significantly accelerated sunset might affect our ability to provide advanced notice to employees. It would definitely have a major impact on the time available for retraining and outplacement efforts and their effectiveness, particularly as an early sunset would require the outplacement of significantly more employees who might otherwise have found positions on their own or have been eligible for retirement by 1985. The recent Government-wide hiring freeze and employment cuts, of course, will increase the difficulties involved. Furthermore, an earlier sunset would likely cause panic among employees, leave them with little time to plan or adjust to career and job changes, and lead many of them, including some critical to the continued functioning of the agency, to leave immediately. It would also make it more difficult to attract qualified temporary employees to fill the vacancies created. Such efforts might well prevent us from achieving an orderly sunset and damage the image we would be establishing for future sunsetting agencies.

POPULATION AND ENPLANEMENTS AT SUBSIDIZED POINTS

Question: For the record, please update the information which appears on pages 136 through 141 of last year's hearing with regard to subsidies.

Answer: We are unable to update the 1979 estimated population per subsidized point that was included in last year's hearing because comparable data for 1980 are not available. Many of the estimates provided last year were based on responses from communities to a one-time survey done under the Board's essential air service program. We have not had a regulatory need to update the survey data.

The other part of the information requested pertains to annual enplanements per subsidized point. We have provided comparable information for the most recent period in response to the second question submitted under "Additional Questions for the Record by Chairman Mark Andrews," which appears later in this transcript. Rather than being redundant, we refer the reader to that response.

INTERNATIONAL WORKLOAD IN 1982

Question: What are the significant international negotiations, operating authority, and pricing cases anticipated in fiscal 1982?

Answer:

International Negotiations

Negotiations with twenty-five countries are anticipated for fiscal year 1982. They are China, Japan, Korea, Australia, the Philippines, Singapore, Thailand, Brazil, Venezuela, Mexico, Peru, Argentina, Haiti, Canada, The Netherlands, Iceland, France, Italy, United Kingdom, Spain, Switzerland, U.S.S.R., Bulgaria, Egypt and Nigeria or Kenya. In addition, some negotiations planned for fiscal year 1981 could also occur in fiscal year 1982.

We view some of the anticipated negotiations as more significant than others to the achievement of our procompetitive goals. We see Japan, Canada, the Latin American countries, France and Italy as particularly important. No significant progress has been made in liberalizing our aviation agreements with these countries. Furthermore, they represent sizeable markets.

Some of the negotiations are more urgent than others. Greater scheduling flexibility exists for negotiations aimed at considering basic, long-term changes in the regime than for negotiations aimed at resolving current operating problems.

International operating authority cases may take a variety of forms. The most significant of these are U.S. carrier section 401 route cases, renewal of temporary certificates, fitness cases, fair competitive practices complaints, and foreign air carrier section 402 cases.

Section 401 Route Cases

It is impossible to know exactly what route cases will be at issue in fiscal 1982. To a substantial degree, new route cases depend largely on the dynamics of: our negotiations successes in reaching more liberal aviation agreements with foreign countries, the state of comity and reciprocity with countries where we have no agreement, and the interest of U.S. carriers to serve new markets.

Three route cases are definitely contemplated for fiscal 1982:

U.S.-Philippines Case

U.S.-London Case (1983)

U.S.-Peoples' Republic of China

Forthcoming negotiations with Mexico, Canada, Italy, Eastern Bloc countries, and Latin American countries could lead to new rights for U.S. carriers. If new rights are obtained, proceedings will be held to issue these rights to interested carriers.

Renewal of Temporary Certificates

Several carriers hold temporary certificates for international limited-entry routes which are set to expire in 1982 and 1983. It would be premature at this juncture to state whether such certificates will be subject to formal hearings (oral or non-oral) with a view toward reassignment of these route rights to other carriers. Much depends on the selected carriers' performance during the term of their certificates and the degree of non-incumbent carrier interest in such markets.

Fitness Cases

When new U.S. carriers or when existing small carriers seek to expand the scope of their operations to long-haul, international routes, the Board may investigate the applicants' fitness. We expect to handle at least 10 U.S. carrier fitness cases in 1982.

Fair Competitive Practices Complaints

U.S. carriers may seek relief from unfairly restrictive and discriminatory practices of foreign governments and foreign airlines under sections 9 and 23 of the International Air Transportation Competition Act of 1979 and section 2 of the International Air Transportation Fair Competitive Practices Act of 1974 (as amended). During the last year, the Board has handled two such complaints alleging infringements of U.S. carriers' operating rights. We expect to handle at least this many in fiscal 1982.

Section 402 Cases

As with section 401 route cases, the number of section 402 foreign air carrier permit cases depends on new negotiations, comity and reciprocity, and the willingness of foreign airlines to enter the U.S. market. Over the past few years, the Board has processed an average of 70 permit applications each year. We expect as a minimum this level of activity to continue in fiscal 1982.

Pricing Cases

We expect a number of significant cases will arise as an outgrowth of continuing review of International Air Transport Association agreements, negotiations with bilateral trading partners, and adjustments to the Standard Foreign Fare Level mechanism. The number of such cases cannot be predicted with certainty because that is contingent on variables not within the Board's control.

STATUS OF DEREGULATION STUDY

Question: In your testimony last year, you stated that an interim report on the status of deregulation and its impact on markets and the airline industry would be completed by January 1, 1981. What is the status of this report?

Answer: The Office of Economic Analysis has completed a number of studies that analyze the impact of airline deregulation on the airline industry. The Bureau of Domestic Aviation publishes a bimonthly report entitled, Report on Airline Service, Fares, Traffic,

Load Facors, and Market Shares. This work represents an important contribution to the ultimate report to Congress.

The Office of Economic Analysis has also prepared an outline of the final report to Congress mandated by Section 1601 of the Federal Aviation Act. The various Offices and Bureaus at the Civil Aeronautics Board have each been assigned sections of the report to draft. We hope to complete a draft of the report to Congress by the fall of 1981.

LIST OF CONTRACTS

Question: Please provide for the committee a breakdown of the type and amount of contracts currently agreed to and those anticipated during FY 1981 and 1982. Identify those which will be for Special Studies.

Answer:

Contracts	FY 1981 Estimated Amount
Reporting Services:	
Furnishing verbatim transcripts of various Board proceedings, i.e., hearings, meetings, etc.	$ 60,000
Computer Facilities Operations:	
Provide computer facilities management and related ADP support services	$302,350
Security Program:	
Guard services for the building	$ 56,000
Special Studies:	
Evaluation of environmental impact of potential Board decisions	$100,000
Financial reporting and analysis services	$ 75,000
Total	$593,350

We expect that our operating-type contracts will be renewed for FY 1982. Special studies are done on an as needed basis; we have allocated $190,000 for such studies in FY 1982.

SUNSET LEGISLATIVE PROPOSALS AND PLANS

Question: What legislative proposals are you contemplating with regard to the future of carrier fitness, consumer protection and information systems activities since the authorizing legislation makes no mention of these activities to be transferred subsequent to the sunset date? What are you doing to see that the Board's programs remaining after sunset are transferred to appropriate agencies without interruption?

Answer: The Board is presently examining those functions that are not explicitly slated for transfer and thus could lapse or be abolished with sunset of the Board. The purpose of the examination is to determine whether it is necessary or advisable to continue any of them within a deregulated environment. Carrier fitness requirements, consumer protection rules, and information systems activities are among those being studied. Possible approaches to consumer protection are discussed in a previous answer. To the extent that carrier fitness review and information gathering functions continue these functions should most likely be transferred to DOT. We expect to be able to make our recommendations concerning these and other functions in the near future. Appropriate legislation will be prepared if it is determined that any should be continued or explicitly terminated.

The Board has been engaging in informal discussions with DOT concerning the transfer of the small community and foreign air transportation programs. The discussions have identified the staff and budget involved in these functions and have been used to explain the functions of the staff involved in these programs. These informal discussions will continue. The Board's Office of Human Resources has task forces that identify the job functions that will need to be transferred, the rules that will need to be reviewed, and the legislation that will be needed. Planning has already been started to implement their reports. For example, the Board has issued notices of proposed rulemaking to ask for public and industry comment on the content of passenger-carrier contracts, and their effects when both tariffs and the Board are eliminated. The Board has also established a computer program of target dates for each step in the transition, in substantive programs and the support functions, to make sure that nothing is overlooked.

The Board is now developing an automated data system to monitor the continuing fitness of air carriers. We are seeking the cooperation of the FAA in developing this system in order to smooth the transition to DOT. With FAA participation at this time, it is likely that DOT or the FAA could take over this automated system intact when the Board sunsets.

The Board's Bureau of Compliance and Consumer Protection is planning to hold 18 regional seminars to acquaint State and local consumer officials with airline complaint procedures. They will aid in the Board's program of transferring responsibility for airline consumer complaints to State and local authorities when the Board sunsets.

OTHER PROPOSED LEGISLATION

Question: Summarize for the record whatever other legislation you intend to propose this year.

Answer: The Board is reviewing the Airline Deregulation Act as a whole in light of the experience we have gained with a more deregulated environment, including the steps already taken to implement the Act's provisions. When this review is complete, the Board will make the legislative recommendations, both technical and substantive, that it believes are necessary to carry out the full intent of the Act. Some of the key areas that will be covered include: mergers and acquisitions (§408), agreements (§412), postal rate review (§405) and federal preemption (§105).

LANDING FEES: DULLES VS. NATIONAL

Question: Is it true that some airlines have had to pay more to land at Dulles than National? Why? Should the same accounting cost-based fee system at Dulles be applied to National?

Answer: In 1980, all airlines serving Dulles had to pay more to operate the same aircraft at Dulles than they would have paid at National (39.85 cents vs. 37.53 cents per thousand pounds). In 1981 the fees were scheduled to be equal, but the Secretary announced he would suspend all Dulles fees. There is a joint fee arrangement for the two airports, which has caused a subsidy of Dulles by National users for years. The Secretary has just announced plans to eliminate the fees at Dulles in order to attract traffic. We have advocated this market-based concept for years. We would support raising the fees at National to support the Dulles experiment and to provide further incentives to use Dulles.

Because they do use the same accounting cost-based fee system at Dulles and National, Dulles fees have been higher than National.

SPACE REDUCTION

Question: The number of your employees is rapidly decreasing, but the cost of your office space rental is doubling. What specific actions have you taken to reduce your GSA space rental costs?

Answer: Until now, we have not been able to make reductions in office space commensurate with staff reductions carried since 1978. Our staff reductions have occured through the Board, resulting in a "shotgun" pattern of vacant space, rather than in whole blocks of vacant space. To return space to GSA, we must consolidate. We have not done this so far because staff cuts, as measured in workyears, have only begun to match the substantial cuts in year-end positions.

In 1979, for example, we had 799 positions and 804 workyears; in 1980, we had 743 positions and 778 workyears. Now in 1981, we will be down to 656 positions and 720 workyears and this trend will continue in 1982. Thus by the end of 1982, we will be in a

position to reorganize and consolidate to return a sizeable amount of space to GSA. We prefer to make this consolidation once since the cost to move employees--about $300 each--would outweigh any savings if such moves must be done several times.

Our FY 1982 figure of 171,407 square feet does reflect our plan to close two consumer protection field offices by the end of calendar year 1981. In addition, we will return to GSA 3,300 square feet of law judges' space for reuse by the Department of Agriculture. With this and other consolidations as described above, we expect to be able to reduce the 171,407 square feet figure by another 13,300 square feet, and save an additional $200,000.

FUNCTIONS AND POSITIONS AFFECTED BY SUNSET

Question: Provide for the record a detailed chart showing the effect on CAB functions and positions if the Board were to be terminated today.

Answer: Attached is a chart showing the effect on the Board's functions and positions if the Board were to be completely terminated at this time. This chart depicts five functions specifically transferred by the Airline Deregulation Act of 1978: the foreign air programs, the small communities and essential air services programs, the antitrust programs, postal rates program, and the airline employee protection program; and two functions specifically abolished by the Act, i.e., segments of the routes and rates functions. It also shows the consumer protection and user information services functions which are significant functions neither transferred nor abolished by the Act; and it groups together all other programs which would be abolished with the sunset of the Board. The numbers of positions indicated include support positions such as those required to provide personnel and administrative services.

The number of positions involved in both functions being transferred and abolished will be reduced significantly between now and 1985 as the Board's total employment is reduced and work in areas being abolished is phased-out.

IMPACT OF SUNSET ON CAB FUNCTIONS AND POSITIONS

Functions Which Would be Transferred

Functions	Agency to Which Transferred	Positions
Foreign Air Programs	Department of Transportaion (DOT)	160
Small Communities/ Essential Air Services Programs	DOT	139

Functions	Agency to Which Transferred	Positions
Antitrust Programs	Department of Justice	49
Postal Rates Programs	Postal Service	1
Airline Employees Protection Program	DOT	5
		354
Consumer Protection Programs	Not Determined	80
User Information Services Programs	Not Determined	102
		182
		536

Functions Which Would Be Abolished

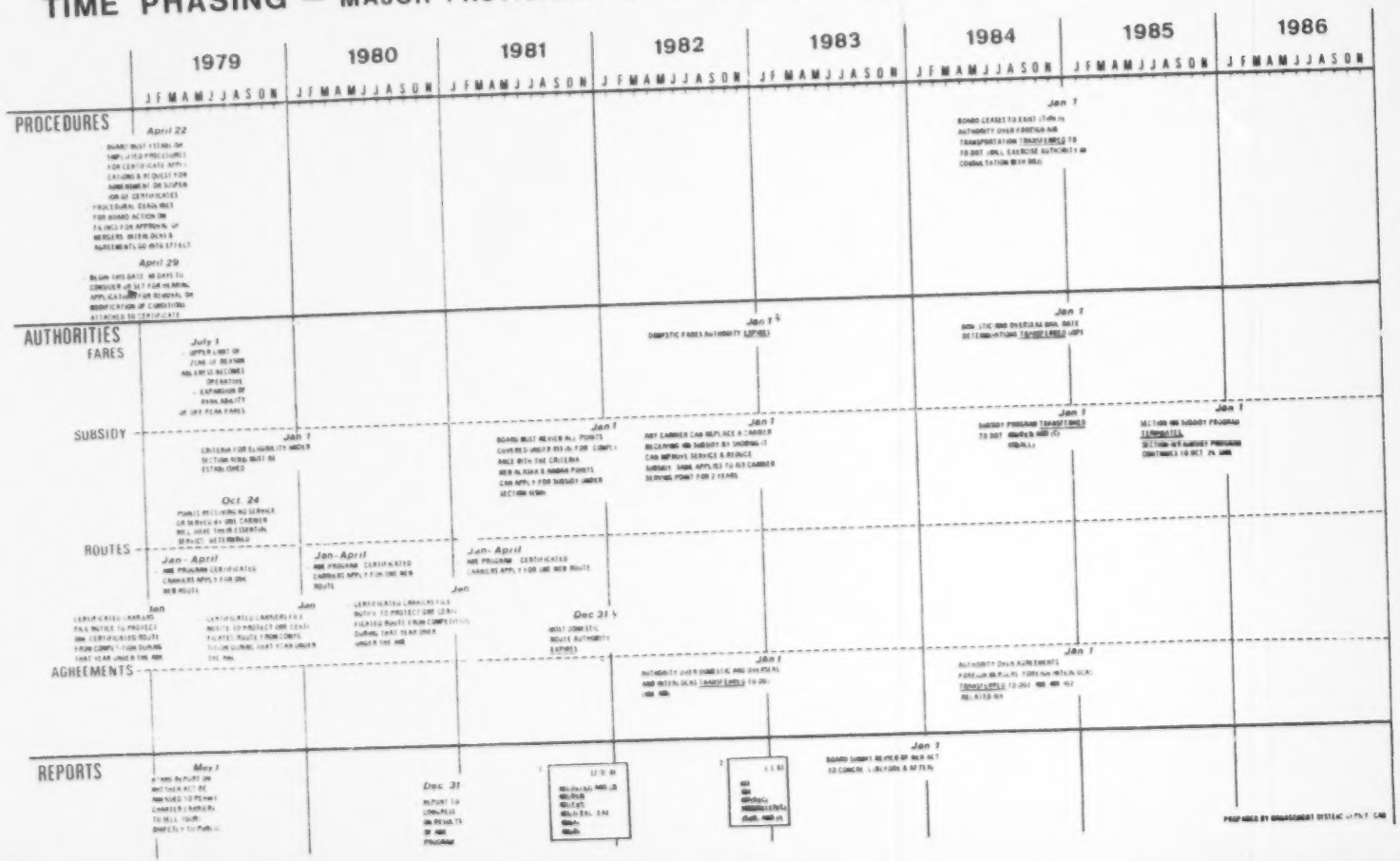
Routes and Rates Programs	29
All Other Programs	144
Positions Abolished in Transferring Program Areas	12
	185
	721

TIME-PHASED SUNSET CHART

Question: Provide for the record a chart showing the time-phasing of the major provisions of the Airline Deregulation Act of 1978, beginning in January of 1979 and ending in January of 1986.

Answer: Attached is a chart depicting the time-phasing of the major provisions of the Airline Deregulation Act of 1978.

TIME PHASING — MAJOR PROVISIONS OF AIRLINE DEREGULATION ACT OF 1978



SUMMARY OF THE AIRLINE DEREGULATION ACT OF 1978, Pub. L. 95-504

DECLARATION OF POLICY

Section 102 of the Federal Aviation Act is the Board's Declaration of Policy. It contains no specific requirements or prohibitions. Nonetheless, it is one of the most important sections of the Act, since it sets out factors for the Board to consider, among others, as being in the "public interest" and in accordance with the "public convenience and necessity." These terms are used throughout the Act.

The old Declaration of Policy: The former version of section 102 was characterized by the Senate Report as

> oriented toward the creation and governmental promotion of an air transportation system and the protection of the air transport industry through essentially public utility-type regulation. 1/

It was often interpreted as allowing, or even requiring, anticompetitive policies. The directives to "foster sound economic conditions" in air transportation and to promote "adequate, economical, and efficient service by air carriers at reasonable charges," while not on their face requiring protectionist policies, were until recently interpreted that way. The only positive reference to competition was "competition to the extent necessary to assure the sound development of an air transportation system." 2/ (emphasis added) Moreover, the Board was directed to avoid "destructive competitive practices." 3/

The new Declaration of Policy: The Deregulation Act amended section 102 to give the Board a new Declaration of Policy for domestic air transportation. The retention of the existing policy statement for foreign air transportation should not, however, be construed as a Congressional directive to return to protectionist or anticompetitive policies in foreign air transportation. Congress did not consider foreign air transportation in most of the Deregulation Act, and specifically did not consider it in amending section 102.4/ Moreover, in the few places that it did address foreign matters, the amendments were of a liberalizing nature. 5/ From these facts and from the characterization of past interpretations of section 102 as unnecessarily restrictive, we conclude that the Board's recent liberalized interpretations may continue for foreign air transportation.

Safety is to have the highest priority in air commerce, including specifically the prevention of any deterioration in the established level of safety. 6/ The latter was apparently included out of concern that expanded operations by commuters and newly certificated carriers might diminish the level of safety. The FAA is directed to establish new standards for commuters, ensuring to the maximum feasible extent a level of safety equal to that of certificated carriers, unless it finds that its recently upgraded standards achieve this result. 7/

The overriding theme of the new Declaration of Policy, however, is competition. There is to be maximum reliance on competition to attain other goals, such as efficiency, innovation, low prices, a variety of price/service options, the needed air transportation system in general, and the encouragement of efficient and well-managed carriers to earn reasonable profits and to attract capital. 8/ Moreover, competition is now to be considered an end in itself. The concept of "destructive competition" has been eliminated from the Act.

Coupled with the positive emphasis on competition is the explicit goal of preventing predatory and anticompetitive practices, including the avoidance of unreasonable industry concentration, excessive market domination, and monopoly power. 9/

The Board is directed to encourage entry, both by new air carriers and by existing carriers in new markets. 10/

Another explicit goal is promptness in Board decisions, to facilitate adaptation of the air transportation system to the needs of foreign and domestic commerce, the Postal Service, and the national defense. 11/

The encouragement of air service at major urban areas through secondary or satellite airports is another goal, where consistent with regional airport plans of local and regional authorities. The Board is also directed to encourage service at these airports by specialist air carriers, whose sole responsibility would be such service, when the encouragement is endorsed by the appropriate State agencies. 12/

Continued and continuous service to small communities and isolated areas, with Federal subsidy where appropriate, is to be a major goal of the Board. 13/ This subject is discussed in detail under "Subsidy."

Another goal is the continued strengthening of small carriers, to ensure a more effective and competitive industry. 14/ The Conferees stated that this does not

> mean that the Board must engage in carrier selection in its route proceedings to preclude large air carriers from new routes. Rather, it is intended to direct the Board to continue providing opportunities for small carriers in as many ways as possible and not restrict them solely because they have historically had operations limited in area or extent. 15/

Finally, the Conferees added the following guidance:

> In adopting this new, comprehensive legislation, which entirely overhauls the aviation regulatory system, Congress was mindful of recent activities of the CAB. This new charter is intended as a legislative mandate to the CAB both as to the direction and policy of aviation regulation and also, it should be noted, the limits of such policy. In short, Congress expects the deregulation of the aviation industry to move in accordance with this legislation and not in accordance with the, perhaps, differing concepts of some members of the CAB. The legislation establishes specific programs for increased competition. The legislation also includes a new policy statement which gives the CAB broad discretion to establish other programs to encourage competition, such as the multiple permissive authority program recently established by the Board. Such programs are needed in the gradual and phased transition to a deregulated system. However, we expect that in developing these programs the Board will pay heed to the provisions of the policy statement giving specific directions to the Board. We also expect that any additional programs will not be incompatible with the specific programs Congress has established. 16/

Thus, the Declaration of Policy makes it clear that Congress agrees with and intends to continue the pro-competitive policies that have guided Board actions for the past year. It also, however, mixes caution with its approval by directing the Board's attention and efforts toward areas that may be adversely affected by the removal of previous regulatory restraints: service to small communities, monopolistic concentration, and safety.

ENTRY

This discussion applies only to interstate and overseas air transportation, except as noted.

Apart from the nearly complete elimination 3 years from now of the Board's authority to regulate routes, the most fundamental change in the entry provisions is in the standard to be applied to ordinary certificate applications. The Act formerly required the Board to certificate any applicant who was fit, willing, and able if the transportation in question was "required by the public convenience and necessity. 1/ Although there is no change in the fit-willing-and-able standard, the Board now must issue the certificate if the transportation is "consistent with the

public convenience and necessity." 2/ Moreover, there is a presumption of consistency, and the burden of proof (at a high level of proof--"preponderance of the evidence") is on the opponents of an application to demonstrate inconsistency with the public convenience and necessity. 3/ These changes, coupled with the Declaration of Policy's new emphasis on competition and the encouragement of entry as being in accordance with the public convenience and necessity, indicate that Congress intended a much more liberal attitude toward certificate applications than it did under the old Act.

The liberalization of the general provisions governing the award of certificates is accompanied by three new special provisions, concerning automatic entry, unused authority, and experimental certificates.

Automatic entry: The automatic entry program is available to Board-certificated passenger carriers, both scheduled and charter, and to the largest intrastate passenger carriers. In the first month of 1979, 1980, and 1981, each of these carriers may apply under this program for nonstop route authority between any one pair of points that has not been protected, unless either one of the points is in Hawaii. 4/ Each carrier may protect from automatic entry one pair of points between which it already has nonstop authority by filing a notice with the Board on the first business day of the year. 5/ The Board has 60 days to certificate each applicant under this program, and must issue the certificate unless it finds that the applicant is not fit, willing, and able. 6/ There is no public convenience and necessity test.

The automatic entry program also provides for a second round of applications each year. 7/ If more than one carrier applied for the same pair of points in the first round, each of these carriers may reapply for a new pair of points. The second round is also available to carriers that did not get certificates in the first round because of negative fitness findings. Finally, the Board is directed to modify the program, by rule, on an emergency basis if it finds that the program is causing substantial harm to the national air transportation system or a substantial reduction in air service to small and medium sized communities in any region, and if there is no less drastic alternative to remedy the harm. 8/

Unused authority: Under the unused authority provisions, a certificate authorizing round-trip nonstop service between a pair of points will be considered unused or dormant if the certificated carrier does not provide service of at least 5 round trips a week for at least 13 weeks during a 26-week period. 9/ There are similar standards for seasonal certificates. 10/

There are two types of procedures for issuing new authority in a market that has dormant certificates, according to the number of carriers that are actually providing round-trip nonstop service in the market. In a market that has no such service, or receives it from only one carrier, the Board must authorize new service within 15 days to the first applicant who certifies that it complies with FAA regulations and is able to comply with Board regulations. 11/ In these markets, the Board must also suspend the dormant incumbent for up to 26 weeks, unless it finds that the suspension is not necessary to encourage continued service by the newly authorized carrier. 12/ The Board has adopted rules (new Subpart R) 13/ that set out procedures for applying for dormant authority. These rules require any applicant seeking suspension of a dormant incumbent's authority to specify, market by market, why a suspension is necessary. (Of the initial 25 carriers applying for dormant authority, only 5 sought suspension of the incumbent; of these only 3 specified the need for suspension.)

For markets served by two or more carriers, the Board must authorize the first applicant who certifies compliance with FAA regulations and ability to comply with Board regulations unless it finds, within 60 days, that the award of new authority would be inconsistent with the public convenience and necessity. There is a rebuttable presumption that any application to replace a dormant carrier is consistent with the public convenience and necessity. 14/

Carriers that take over dormant authority must "commence service" within 45 days. Otherwise, they lose their new authority. 15/ The precise meaning of 'commence service" remains to be determined. A memorandum on this subject and related dormant authority issues is being prepared.

A carrier with dormant authority can, by giving notice to the Board and reactivating service, stop the Board from issuing new authority under the unused authority provisions of the Act. Such a notice may only be filed once for any particular market. This protection, moreover, is available only to carriers whose notices are filed before any applications are filed for the same markets. Finally, the incumbent cannot keep a new applicant out unless, within 30 days after filing the notice, it resumes service with at least 5 weekly round trips for 13 weeks.16/

Experimental certificates: When the Board finds that a test period is desirable to evaluate proposed new service, it may issue a certificate for a temporary period. If the Board issues a certificate on the basis of a carrier's offer to provide innovative or low-priced transportation, the failure to provide such transportation is grounds for modification or revocation of the certificate.17/

Other entry-related provisions of the Deregulation Act address fill-up rights, removal of restrictions, suspension and reduction of services, the commuter exemption, simplified procedures, and deadlines for Board action.

Fill-up rights: Carriers may carry domestic fill-up traffic on flights in foreign air transportation. For example, if a carrier has been authorized to operate a Los Angeles-New York-London flight carrying passengers between Los Angeles and London and between New York and London, but not between Los Angeles and New York, it now may carry passengers between Los Angeles and New York. This new authority is limited to one round trip daily between any pair of points, unless the Board authorizes more. 18/

Removal of restrictions: (a) Closed-door restrictions: If a carrier is authorized to fly from A to B to C with passengers travelling between A and C and passengers travelling between B and C, then a condition in its certificate that prohibits passenger traffic between A and B is a closed-door restriction. The Board may not impose any new closed-door restrictions, and all existing ones are voided. There are two exceptions: restrictions in effect on October 24, 1978, that resulted from a sale or exchange of route authority (TWA's Phoenix - Las Vegas restriction is the only one that we are aware of) and those in which both points A and B are in Hawaii. 19/

(b) If a carrier applies for removal or modification of any other term, condition, or limitation attached to a certificate for domestic or foreign transportation, the Board will have (begining on April 22, 1979) 60 days to either set the application for hearing or begin considering the application under simplified procedures, for purposes of eliminating or modifying the term, condition, or limitation if it is found inconsistent with the new public convenience and necessity criteria. 20/ The 60-day limit does not apply to applications received before April 22, 1979, but such applications can still be processed under the new criterion of consistency with the public convenience and necessity.

Suspension and reduction of service: Previously, a certificated carrier could not abandon a route without Board permission, to be given only after notice and hearing. 21/ Now a carrier need only give notice to the Board of its intentions: 60 days before stopping nonstop or single-plane service between two points if it is the only certificated carrier providing such service; 90 days before stopping all service to a point, or reducing it below the level that the Board has found to be essential air transportion for that point. 22/ Certificates have thus become permissive, with 4 exceptions: 1) The Board may in certain cases order continuation of service, 30 days at a time, with compensation for losses, while it tries to find a replacement carrier. 23/ This subject is discussed further under "Subsidy". 2) If a carrier allows a route to become dormant and there are no other carriers in that market, it is subject to suspension under the unused authority provisions in connection with an award to the first applicant for new authority there. 24/ 3) Local service carriers' certificates typically require them to provide 2 daily round trips to a point before that point can be overflown. 4) The Board still can terminate a certificate (unless it has made that certificate permissive) under section 401(f) if operation under it has ceased.

Commuter exemption: Carriers that provide passenger service solely with 55-or-fewer-seat planes, or cargo service with 18,000-pounds-or-less payload capacity, are exempted from section 401(a) (the certificate requirement) and "such other sections of [the] Act as may be prescribed in regulations promulgated by the Board," as long as they comply with insurance requirements and other reasonable regulations that the Board may adopt. The Board may increase the capacity limits when the public interest so requires. 25/

The Board must make fitness findings for commuters in at least some cases. 26/ The number of cases, however, remains to be determined. A memorandum is being prepared on this question. This subject is discussed further under "Subsidy."

The exemption from section 401(a) is self-executing, but the rest is not. In the cargo case, the air-taxi regulation (Part 298) already provides exemptions from a variety of sections of the Act. In the passenger case, however, Part 298 only provides these exemptions for carriers whose operations are limited to 30-or-fewer-seat aircraft. A rulemaking proceeding to increase this figure is already in progress. 27/

The commuter exemption does not apply to carriers that operate wholly within Alaska, or between Alaska and Canada, unless they also have authority from the State of Alaska. 28/ Also, the Board is prohibited from imposing any limits on the points or frequency of an intra-Alaska commuter's operations unless it finds, after a hearing, that those operations substantially impair a certificated carrier's ability to provide the service authorized by the certificate. 29/

Simplified procedures: The Board is directed to establish simplified procedures for disposing of certificate applications and requests for amendment or suspension of certificates. 30/ These procedures must be in place by April 22, 1979. The procedures must provide for adequate notice and submission of appropriate written evidence, but need not provide for an oral evidentiary hearing. The Board may use these new procedures whenever such use is in the public interest. The rules establishing the simplified procedures must set forth, to the extent practicable, standards that the Board intends to apply in determining when to use the procedures and in deciding cases processed under them. The Board is also directed to establish simplified procedures for foreign air carrier permit applications and requests for amendments, suspensions, etc. 31/

Deadlines: The Deregulation Act sets deadlines for action on applications that are received after April 22, 1979. For any certificate application (except the special cases of restriction removal, automatic entry, and unused authority), the Board has 90 days to either set it for a hearing, begin to process it under the new simplified procedures, or dismiss it on the merits. 32/ In hearing cases, there are then 150 days for the initial or recommended decision, and 90 days for the Board's final decison. 33/ In nonhearing cases, the Board has 180 days to reach its decision, starting from the time it begins to consider the application under simplified procedures. 34/ These deadlines may be extended only (1) for delay caused by the applicant's failure to meet a procedural schedule set by the Board, and (2) for up to 30 days, in extraordinary circumstances. Thus, the longest a route case will take is 360 days (90+150+90+30), not counting delay caused by the applicant. There is no explicit statutory sanction in the Act if the Board fails to meet its deadline in a nonhearing case, or if the Administrative Law Judge fails to issue a recommended or initial decision in a hearing case in the requisite period of time. In a hearing case, if the Board does not act within 90 days after the Administrative Law Judge's decision, that decision becomes final. 35/

Multiple permissive entry: By a statement in the Conference Report, Congress has explicitly ratified the multiple permissive entry program that the Board started last year. 36/

The ultimate entry liberalizations: On December 31, 1981, the Board will stop making determinations of the consistency of proposed service with the public convenience and necessity. 37/ It will continue determining applicants' fitness until the time when it is scheduled to go out of existence, on January 1, 1985. 38/

Although the bulk of the entry provisions in the Deregulation Act consist of new substantive schemes for liberalizing entry, the most important innovations in terms of impact probably are the changes affecting ordinary route cases, particularly the change in the application of the public convenience and necessity standard. This change confirms the general Board attitude on competition that was developed before the Deregulation Act was passed, that willing entrants should usually be admitted to markets. The dormant authority provisions are primarily significant for the one-time boost they are giving to the liberalization process, although they will also be applied from time to time as new dormancies arise. The automatic entry program will probably not be significant, since the number of routes involved is small in comparison with the number likely to be granted in ordinary route proceedings.

FARES

In this area, Congress' approval of existing Board policies is largely unqualified, with only some minor directives such as urging greater scope for off-peak pricing. The discussion below applies only to domestic passenger fares, except that the new rule of ratemaking also applies to intra-Alaska, intra-Hawaii, and overseas cargo rates, which were not deregulated by Pub. L. 95-163.

Formerly, the Board could suspend a fare and, after notice and hearing, replace it with a prescribed lawful fare, on the basis that it was unjust or unreasonable, unjustly discriminatory, unduly preferential, or unduly prejudicial.1/ The Deregulation Act creates a zone of reasonableness for passenger fares. Within this zone, the Board may not find a fare unjust or unreasonable on the basis that the fare is too low or too high, 2/except for decreased fares that the Board finds predatory.3/ Fares within the zone may continue to be replaced after notice and hearing by prescribed lawful fares, on the basis that they are unjustly discriminatory, unduly preferential, or unduly prejudicial. Since suspension is limited to fares that the Board has authority to find unjust or unreasonable,4/ fares within the zone may only be suspended on the basis that they are predatory. Fares outside the zone of reasonableness are not presumptively unjust or unreasonable, but unjustness and unreasonableness are bases on which the Board may suspend and replace them with prescribed fares.

The zone of reasonableness is defined in terms of the "standard industry fare level." The lower limit of the zone is 50 percent below the standard industry fare level, 5/ but the Board is authorized to increase this percentage by rulemaking, i.e., widen the zone downward.6/ The upper limit of the zone does not become operative until July 1, 1979. After that date, the upper limit is five percent above the standard industry fare level. In any given market, however, increases of a carrier that carries 70 percent or more of the certificated carrier passenger traffic continue to be subject to the traditional test of reasonableness.7/

For each pair of points and each class of service, the "standard industry fare level' means the fare in effect on July 1, 1977, as adjusted by the Board. For classes of service established since then, it is the initial fare level for the new class.8/ The Board must adjust the standard industry fare level at least twice a year, by increasing or decreasing the fare level by the percentage change, since the previous adjustment, in the industry's average actual operating cost per available seat-mile for interstate and overseas transportation. The Board may not adjust these actual costs, as for example it once did to impute a standard seating configuration and load factor.9/

The zone of reasonableness created by the Deregulation Act is similar to the suspension-free zone established by the Board in its recent modification of the Domestic Passenger Fare Investigation standards (PS-80), 10/ but there are some important differences. (1) The new, statutory zone addresses the Board's authority to find fares within it unlawful, and thus also indirectly restricts the suspension power. The PS-80 zone applied only to suspensions of fares; the Board retained the right to find fares within it unjust or unreasonable, after notice and hearing. (2) The new zone is defined in terms of the 'standard industry fare level', while the old zone was based on normal fares that had been prescribed by the Board. (3) The downward flexibility specified in PS-80 is greater than that of the new Act, in that fares may be as much as 70 percent below the ceiling on 40 percent of a carrier's weekly

available seat miles. This greater flexibility can continue, since the Board is specifically authorized to extend the statutory zone downwards, the zone of reasonableness could itself be extended to the same level as the Board's zone of non-suspension in PS-80. (4) The upward flexibility of PS-80 (5 percent for a limited number of days in some cases, and 10 percent in other cases) is already in effect, while that of the new Act does not take effect until July 1, 1979. The PS-80 standard may continue, however, since the Board is not prohibited from having a wider suspension-free zone than the zone of reasonableness established by the statute. There is no conflict with the new Act since the existing zone applies only to suspensions, as discussed above. (5) The PS-80 suspension-free zone is more restrictive than the new zone of reasonableness in one respect: it limits the 5 percent upward flexibility to 58 or 110 days per year, depending on the number of carriers in a market. After July 1, 1979, when the statutory zone takes effect, these day limits, unless changed, will apply to carriers with 70 percent of the traffic in any given market.

In any proceeding to determine the lawfulness of a fare, the party opposing the fare on the basis that it is too low now has the burden of proving that it is too low. 11/

By July 1, 1979, the Board must expand the availability of off-peak fares.12/ Congress particularly had in mind availability of these fares earlier in the evening and on weekends, like that of Southwest Airlines' system in Texas.13/ The policies of PS-80 permit and encourage the accomplishment of these goals.

When a civic party files a complaint against a fare, the Board must grant, deny, or dismiss the complaint within 90 days.14/ There are no deadlines for disposition of other tariff complaints.

The rule of ratemaking, set forth in section 1002(e) of the Act, contains general criteria for the Board to consider in exercising its rate regulation functions. In addition to incorporating the new standards of the Declaration of Policy, the rule of ratemaking as amended by the Deregulation Act requires the Board to give strong weight to the desirability of low fares and of increased pricing and service options, including off-peak pricing, and the desirability of allowing each carrier to determine prices in response to its own costs and the competitive market conditions of the markets it serves. This in effect approves the policies announced in PS-80, which were designed to accomplish the same goals as those contained in section 1002(e). As noted above, the suspension-free zone established by PS-80 is wider than the statutory zone of reasonableness, thus affording carriers greater flexibility.

There are new tariff filing deadlines for carriers.15/ This portion of the Deregulation Act contains several anomalies, which will be discussed in a memo that is now being prepared. The following are highlights of the new requirements, some of which are not being fully effectuated until further review. Formerly, passenger tariffs had to be filed at least 45 days before they were to become effective,16/ and any Board suspension had to be ordered at least 15 days before effectiveness.17/ These figures have been increased to 60 days and 30 days, respectively, for fares outside the zone of reasonableness and fares to which the zone does not apply (i.e., those in foreign air transportation.)18/ Fares within the zone need only be filed 30 days in advance, and the Board is authorized to allow matching tariffs to be filed on as little as 25 days notice.19/

Joint fares for commuters: Formerly, the Act required certificated carriers to establish just and reasonable joint fares and divisions of revenue with other certificated carriers.20/ The order resulting from Phase IV of the Domestic Passenger Fare Investigation, as amended, sets out a formula for these fares and divisions. 21/ The Board has extended these requirements to commuters that replace certificated carriers at suspended points, 22/ but has not established general requirements for joint fares between certificated carriers and commuters. The Deregulation Act requires the certificated carriers to extend joint fares to commuters, but does not directly prescribe a formula. 23/ It does state, however, that "whenever" the Board establishes a uniform formula for joint fares and divisions between certificated carriers, the Board must extend the formula to commuters. 24/ Moreover, this "whenever" requirement is specifically made applicable to the existing formula. 25/ The extension of that formula is apparently not self-executing, however. In any event, the Deregulation Act requires the Board to extend the formula to commuters within a reasonably short time.

ANTITRUST

Section 408; Consolidation, Merger, and Acquisition of Control: The former terms of section 408 prohibited, unless approved by the Board after notice and hearing, a variety of merger and acquisition transactions involving carriers, persons controlling carriers, persons engaged in any phase of aeronautics, and others. In limited cases, the Board could dispose of an application for approval without a hearing.1/ The Board was directed to approve any transaction unless it found that the transaction would not be consistent with the public interest.2/ The only guidance on the meaning of "public interest' in this context, apart from the Declaration of Policy in section 102, was a prohibition against approving transactions that would result in a monopoly if the result would be to restrain competition or injure a carrier not party to the transaction.3/

The Deregulation Act narrowed the class of transactions covered by section 408 as follows: (1) The expression "person engaged in any phase of aeronautics," which had been interpreted very broadly in the past, has been replaced by 'person substantially engaged in the business of aeronautics." 4/ A large number of transactions with persons that are only incidentally related to air transportation are thus removed from Board jurisdiction. (For example, the Board was once asked to pass upon the merger of two power tool companies because one of them, McCulloch, had a subsidiary which itself had a subsidiary which was an air carrier that transported prospective customers to properties developed by a real estate subsidiary. Such transactions will no longer be subject to Board scrutiny.) 5/ (2) Acquisitions of air carriers by persons who have no aviation interests have also been removed from Board jurisdiction. 6/ Supervision of these transactions is left to the antitrust laws--administered by the Department of Justice and the Federal Trade Commission.

The Board is still directed to approve a transaction unless it finds that the transaction will not be consistent with the public interest,7/ but there is more guidance on the meaning of this term. The Declaration of Policy (section 102) has been revised to place more emphasis on competition. Also, the Board is absolutely prohibited from approving a transaction that would result in a monopoly. 8/ Moreover, the Board may not approve any transaction "the effect of which in any region of the United States may be substantially to lessen competition" (which is basically the standard under section 7 of the Clayton Act), unless it finds both (1) that the anticompetitive effects are outweighed in the public interest by the probable effect of the transaction in meeting significant transportation needs, and (2) that these needs may not be satisfied by a reasonably available alternative whose effects are materially less anticompetitive.9/ The party challenging the transaction has the burden of proving its anticompetitive effects, while those seeking its approval have the burden of proving that it is the least anticompetitive method of meeting significant transportation needs. 10/

The procedure for disposing, without a hearing, of applications for approval of transactions that do not involve control of a direct air carrier is retained, with the change that the Secretary of Transportation and the Attorney General may insist on a hearing without having to demonstrate that they have a substantial interest in the transaction. 11/

Finally, there is a special procedure for merger and acquisition transactions that involve neither certificated carriers nor foreign carriers. These include, among others, airfreight forwarder mergers and acquisitions of air taxis by persons substantially engaged in a phase of aeronautics. Parties planning to enter into such transactions must notify the Board at least 45 days before the effective date of the transaction. The Board may then require the transaction to go through the regular hearing and approval process. If the Board takes no action within 45 days, however, the transaction may be consummated without approval.12/ The transaction is subject only to the antitrust laws, with this exception: If the Board was led to take no action by fraud or misrepresentation, it can subject the transaction to the prior approval requirement. 13/

Section 409; Interlocking Relationships: Section 409(a) formerly prohibited, unless approved by the Board, an air carrier from having interlocking directors or officers with another air carrier, common carrier, or person engaged in any phase of aeronautics. As with section 408, the expression "person engaged in any phase of aeronautics" has been replaced by "person substantially engaged in the business of aeronautics." Interlocking relationships between air carriers and

persons only incidentally related to air transportation are thus no longer subject to Board scrutiny.

Section 409(b) has been repealed. This section prohibited certain stock transactions by officers and directors of air carriers. It essentially reflected the common law on fiduciary duties of officers and directors, and did not give the Board any powers or duties. It was repealed because it was obsolete. 14/

Section 412; Agreements: Formerly, agreements between air carriers affecting air transportation had to be filed with the Board.15/ The Board was directed to disapprove agreements that it found adverse to the public interest and otherwise to approve them.16/ Approval conferred automatic immunity from the antitrust laws.17/ Section 412 did not establish any particular criteria for deciding whether an agreement was "adverse to the public interest." Under the Board practice that evolved an agreement that violated the antitrust laws was considered as not adverse to the public interest, if it passed a special test. Under this test, an agreement that substantially reduced or eliminated competition could be approved if it was necessary "to meet a serious transportation need or to secure important public benefits." This has become known as the "local cartage" test, named for the Board decision that established it. 18/

The Deregulation Act retained the existing provisions of section 412 for agreements affecting foreign air transportation,19/ and added new provisions to govern agreements that affect only domestic transportation. 20/

Procedurally, the major change in the treatment of domestic agreements is that filing is now voluntary.21/ Agreements that are not filed are subject to the antitrust laws. Thus, probably the main reason a carrier would wish to file is to obtain antitrust immunity in connection with Board approval.

The other major change affecting domestic agreements is in the standards to be applied to those that are filed. The Board may not approve an agreement that limits capacity or fixes prices, except an agreement on joint rates or fares. 22/ For other agreements, the "local cartage" test has been replaced by a more stringent standard based on the approach taken in the Bank Merger Act.23/ Even if the agreement is necessary to meet a serious transportation need or secure important public benefits, it may not be approved if the Board finds that these ends are attainable by reasonably available alternative means whose effects are materially less anticompetitive.24/ The Board may approve if the proponent of the agreement proves that it meets a serious transportation need or has other important public benefits, and its attackers fail to prove that there are reasonably available alternatives whose effects are materially less anticompetitive.25/ The findings on these points must be included in the Board order approving the agreement. 26/

Finally, section 412 has been amended to disapprove any existing mutual aid agreement 27/ and establish criteria for Board approval of any new ones. 28/ These criteria are quite specific and supplement the general test discussed above. The mutual aid agreement must (A) limit payments to 60 percent of the struck carrier's direct operating expenses; (B) limit benefits to 8 weeks during any strike, with no benefits paid for losses during the first 30 days; and (C) provide that all parties to the agreement agree to submit strike issues to binding arbitration under the Railway Labor Act if requested by the striking employees.

Deadlines: The Deregulation Act establishes deadlines for Board action on filings for approval of mergers, interlocks, and agreements. In nonhearing cases, the Board must issue a final order on the filing within 6 to 7 months (depending on when during the calender month the filing is received). 29/ In hearing cases, the Board has 6 to 7 months for mergers (section 408) and 12 to 13 months for interlocks (section 409) and agreements (section 412). 30/ These deadlines apply to filings received after April 22, 1979. No deadlines apply to filings received before then.

Section 414; Antitrust Immunity: Formerly, section 414 granted carriers immunity from the antitrust and other laws for transactions and relationships that received Board approval under section 408, 409, or 412. The Deregulation Act makes the following changes: (1) It limits immunity to the antitrust laws. (2) Immunity is available only to the extent necessary to permit completion of a transaction specifically approved by the Board or necessarily contemplated by a Board order.

(3) Most importantly, immunity is no longer automatic. It is discretionary with the Board, except that the Board must find that immunity is in the public interest before granting it.

SUBSIDY

The Board has been paying subsidy to certificated carriers under section 406, which authorizes compensation for the carriage of mail. According to the Senate Report,

> The notion that subsidy is being provided in order to compensate for the transportation of mail is a polite fiction which has had no substantial relation to reality for over 30 years. 1/

The subsidy program has been seen, at least to some extent, as directed at sustaining local service carriers rather than necessary small community service. 2/ The Deregulation Act therefore amended section 406 to phase out the present subsidy program, and added in section 419 a new program of subsidy to guarantee essential air transportation to small communities. The new program is modeled more closely on government procurement (with contracts and "bids") than the one it replaces.

The section 406 subsidy program: This program terminates on January 1, 1986. 3/ Until then, the following changes are made: 4/

(1) For 4 years, the Board may not apply its profit-sharing formula. Under that formula, excess profits from subsidy-ineligible services and from non-transport operations have been used as a partial offset against the amounts otherwise payable for subsidy-eligible services. The effect of this prohibition, whose rationale is that the subsidy-ineligible routes will now be subject to increased competition, is to increase payments to those local service carriers that have had such "excess" (in regulatory terms) profits.

(2) Subsidy must be enough to enable carriers to provide services of at least the same extent, character, and quality as that provided in 1977. This requirement is intended to ensure that existing subsidized service will continue during the transition to the new section 419 subsidy system. The precise effect of this requirement is unclear, but it will affect the Board's ability to implement fully its previously announced plan to define more exactly the types of service that it is willing to underwrite with section 406 subsidy. After 4 years, the Board clearly may, on a point-by-point basis, modify the types of service to receive section 406 subsidy after notice and a hearing to determine whether the modification is in the public interest.

(3) For 4 years, calculation of subsidy for local service carriers must continue to be consistent with the principles of Class Rate VIII. The Board may make technical changes in the methodology, but no major changes in the basic design of the class rate. Calculation of subsidy for other carriers must continue under the method in effect for the year ending June 30, 1978. The 4-year elimination of the profit-sharing formula is an exception to these rules of calculation.

(4) The Board is directed to recalculate the subsidy refunds made by certain local service carriers under the profit-sharing provisions of Class Rate III for 1963 and 1965, without taking into account income tax refunds resulting from tax loss carrybacks. This recalculation will result in increased payments to Allegheny and Frontier for those two years.

(5) Once a local service carrier stops serving a point, it cannot get section 406 subsidy for resuming service at that point. However, it is eligible to apply under the new section 419 program.

The section 419 subsidy program: This section establishes a new subsidy program and requires the Board to guarantee for 10 years "essential air service" to all communities in the U.S. that are named in certificates of one or more carriers.

Section 419(a) -- This subsection defines as eligible points all currently certificated points, whether service is active or suspended. 5/ If an eligible point is served by one or no certificated carrier, the Board has one year to determine what is essential air transportation for that point. 6/ If an eligible point is served by more than one certificated carrier, the Board need not determine what is

essential air transportation unless it receives notice that the number of certificated carriers serving the point will be reduced to one. When it receives that notice, the Board then has 6 months to make the determination. 7/ All these determinations of the level of essential air transportation must be made with civic consultation and reviewed periodically. 8/ See below under section 419(f) for a discussion of the meaning of "essential air transportion."

This subsection also requires 90 days' notice from a certificated carrier subsidized under section 419 if the carrier wishes to stop service or reduce it below the essential level. A carrier with neither certificate nor subsidy must give 30 days' notice. Notice goes to the Board, appropriate state agencies, and the communities involved. 9/

Whenever the Board finds that a point will not get essential air transportation without compensation, it shall invite applications to perform subsidized service. In selecting an applicant, the Board must consider among other things the desirability of a linear system and the applicant's experience in providing scheduled service in the vicinity. 10/ (For points in Alaska, any scheduled service and significant patterns of non-scheduled service in Alaska are to be considered.) The Board shall establish a rate of compensation in accordance with guidelines discussed below under section 419(d). 11/ It shall make payments in a manner that it finds appropriate, and stop payments when it finds that essential service will be provided without them. 12/

If the Board cannot find a replacement for a carrier that has given notice of a service cutback, the Board must require that carrier (even if it is not certificated) to continue service, 13/ while it uses "every effort" 14/ to find a replacement. The requirement to continue service is for 30 days and is extended, 30 days at a time, until a replacement carrier is found. 15/ Any carrier required to continue service will be subsidized. If it is already subsidized at the point under section 406 or 419, that subsidy is merely continued. 16/ Otherwise, the carrier is compensated for its losses. 17/ (Compensation for trunk carriers' losses, however, is limited to one year.) 18/ It is an open question whether the Board can, by contracting with a carrier to which it pays section 419 subsidy to provide service for a specified period, firmly bind that carrier and thus avoid the need to search for a replacement carrier before the end of the period.

If the Board has not yet determined what is essential air transportation to a community, then it must, upon petition of an appropriate community representative, block any service cutback that "reasonably appears to deprive such [community] of essential air transportation" until it completes that determination. 19/ The definition in section 419(f) of "essential air transportation", which is discussed below, sets minimum service levels.

After January 1, 1983, any carrier can replace a carrier receiving section 406 subsidy at a point by showing that it can improve service at that point and reduce subsidy. 20/ Also, after the same date any carrier can replace a section 419 subsidized carrier that has been at a point for at least 2 years, by showing that it can improve service or reduce subsidy. 21/

Section 419(b): This section sets forth the same sort of subsidy program as section 419(a), except for a separate group of communities. This group includes all points deleted from a certificate since 1968 (until now) and found by the Board to meet criteria that must be established by January 1, 1980. The Board must review all these points for compliance with the criteria before January 1, 1982. The criteria shall be based on the following factors, among others: traffic generation, subsidy cost, alternate modes of transportation, and isolation.

For Alaska and Hawaii, deleted points are eligible as above, but so is any other point that can meet the Board's criteria. These additional points can come into the subsidy program after January 1, 1982, but only into the subsidy program after January 1, 1982, but only in a number that does not raise the total number of subsidized points above the 1968 level.

Once a point is found eligible under section 419(b), its level of essential service must be determined within 6 months. Provisions similar to those of section 419(a) about method of subsidy, service cutbacks, and replacement of carriers are repeated in section 419(b). Under section 419(b), however, the Board cannot require a carrier to continue service at a point.

Section 419(c): This subsection requires the Board to find all commuters subsidized under section 419 to be fit, willing, and able to provide the service and to have planes and operations that comply with new FAA standards. Also, the Board must prohibit a commuter from serving any eligible points unless it makes these same findings. The following issues remain to be decided: (1) Whether these requirements are triggered only by a commuter's request for subsidy, (2) if they are not limited to commuters that request subsidy, whether the findings and prohibitions must be made immediately, and (3) in either or both cases, whether the requirement to make a fitness finding for commuters was intended to maintain intact or change (tighten or liberalize) the current practice regarding commuters under Part 298.

Section 419(d): The Board must establish, by rule, subsidy computation guidelines. They must include expense elements based upon representative costs of carriers operating aircraft of a type appropriate to providing essential air transportation to the point in question.

Section 419(e): Subsidized carriers must comply with the Board's insurance regulations.

Section 419(f): This subsection defines "essential air transportation" at a point as scheduled service to one or more communities of interest at fair rates. Except in Alaska, the minimum level that the Board may determine as essential shall be the lesser of (1) 2 daily round-trips, 5 days a week and (2) the 1977 service level. In Alaska, the essential level must be at least the greater of (1) 2 round-trips per week, and (2) the 1976 service level, unless the State agency of Alaska, after consultation with the community affected, agrees to less.

Section 419(g): The section 419 subsidy program ends in 10 years.

MISCELLANEOUS

Exemptions: Section 416 empowers the Board to grant exemptions from Title IV, the Act's economic regulatory provisions. The Deregulation Act expanded the class of persons who could receive exemptions and liberalized the criteria for granting them.

Formerly, the Board could only grant exemptions to air carriers; foreign air carriers and persons who were not carriers at all could not receive exemptions. This limitation sometimes required the Board to hold hearings on very minor matters. Now, the Board can grant an exemption to "any person or class of persons." 1/ There is also a specific provision authorizing exemptions to indirect foreign air carriers 2/ which parallels the existing special provision on exemptions for U.S. indirect air carriers. 3/ In light of the 'any person' change, this provision is largely redundant. However, it may be read as a suggestion by Congress to exercise the exemption power more liberally with respect to indirect carriers, particularly in connection with recognizing country-of-origin charter rules. In the past, the Board has often effected exemptions to indirect foreign carriers and others by "declining to exercise its jurisdiction." These declinations of jurisdiction (in the Public Charter rule, 4/ for example) can now be replaced by exemptions.

Formerly, the Board could only grant an exemption from a requirement if it found that enforcement of the requirement "is or would be an undue burden... by reason of the limited extent of, or unusual circumstances affecting, the operations [sought to be exempted]...and is not in the public interest." 5/ This standard was interpreted narrowly, making it difficult to grant exemptions. It was particularly protective of incumbent carriers who sought to block innovative services by newcomers. The Deregulation Act liberalized the standard substantially, so that now the Board need only find that the exemption is 'consistent with the public interest.' 6/ Congress explicitly recognized that the Deregulation Act could not address every possible circumstance that may arise, and so

gave the Board the "flexibility to act in the public interest and within the spirit of this legislation without being handcuffed in every circumstance to each specific provision..." 7/

Charters: The Public Charter rule had been challenged in court as a liberalization beyond the Board's legal authority to define charters. The Deregulation Act ratified the new rule. The Board may not 'restrict the marketability, flexibility, accessibility, or variety of charter trips' except to the extent required by the public interest. In no event may the Board backtrack from the Public Charter rule. 8/ The Conference Report says explicitly, however, that this provision is not intended to prevent the Board from adopting consumer protection rules for charter participants. 9/

There is now a prohibition against commingling charter and scheduled traffic on the same domestic flight--the so called part charter prohibition. 10/ This provision prevents part charters on scheduled flights, and, presumably, part scheduled service on predominantly charter flights. The Board could still exempt carriers from the prohibition, but the provision appears to express a definite Congressional intent on this subject. No clear inferences can be drawn from the fact that commingling in foreign air transportation was not mentioned, since the Deregulation Act, as a whole, dealt mostly with domestic air transportation.

An additional provision in the Act carries forward the existing prohibition against charter carriers marketing inclusive tours by selling individual tickets directly to members of the public. 11/ However, the Deregulation Act moved the prohibition from Title I to Title IV, with the transfer specifically described in the Conference Report as intended to allow the Board to grant exemptions. 12/ Also, the Board is directed to report to Congress on the wisdom of this prohibition by May 1, 1979.

A special provision on Alaska states that to certificate a non-Alaskan carrier for charters within Alaska, the Board must find that the transportation is required by the public convenience and necessity. 13/

Insurance: The Deregulation Act extended, from supplemental carriers to all carriers, the coverage of the provision that specifically authorizes the Board to require the maintenance of liability insurance. 14/ The Board already requires some non-supplemental carriers, like commuters, to maintain insurance as a condition on their exemption authority. 15/

Through service and joint fares with intrastate carriers:

In 1977, the Act was amended to allow California and Florida intrastate carriers to enter into interline agreements with U.S. certificated carriers and foreign air carriers. 16/ The Deregulation Act extended that permission to intrastate carriers from all States, without thereby imposing Federal regulation. 17/ Without the permission, connecting passengers had to buy separate tickets for each leg, and could not obtain the benefits of joint fares.

Federal preemption: Previously, there was no specific provision in the Act concerning Federal preemption of State regulation. This led to confusion and conflict. For example, interstate carriers have in some cases been required, on their flights between two points in a single State, to charge different fares for passengers whose trips were wholly within that State and passengers who were connecting to other flights out of State. Now, States may not regulate air carriers that have authority from the Board. 18/ Moreover, whenever an intrastate carrier receives any Federal authority, its State authority is to be considered a part of its Federal authority until changed by the Board. 19/ Therefore, if an intrastate carrier obtains as little as a single exemption to serve an interstate route, that carrier can no longer be regulated by the State. Under an exception for Alaska, the Federal authority must be scheduled certificate authority to deprive the State of its regulatory power. 20/ (A more comprehensive memo on the subject of preemption is now in preparation)

Withholding of Information: Since 1977, the former Section 1104 permitted the Board to withhold only information which was exempt from disclosure under the Freedom of Information Act.21/ The Airline Deregulation Act substituted a different section which now mandates withholding of information dealing with international negotiations and which adversely affects the competitive position of U.S. carriers. In effect, this creates a new category of exempt information for some of the Board's foreign policy material which is not classifiable. The new statute provides that the Board, upon objection from any person, must withhold information whose disclosure "would prejudice the formulation and presentation of positions of the United States in international negotiations and adversely affect the competitive position of any air carrier in foreign air transportation."22/ (We are working on an extensive analysis of these requirements and will be forwarding a memorandum to the Board shortly.)

Presidential review of international route cases:

Formerly, the Board's international route decisions were subject to the approval of the President.23/ There were no statutory standards for Presidential review, and no deadlines for approval or disapproval. The Act now provides that the President may only disapprove such a decision, and only do so for foreign relations or national defense reasons, and specifically prohibits disapprovals based on economic or carrier selection considerations. Moreover, if the President does not disapprove within 60 days after receiving the Board's decision, that decision becomes final and presumably subject to judicial review like any other Board decision.24/

Civil penalties: Violations of the Act and Board regulations are subject to civil penalties of up to $1,000 for each violation.25/ Previously, there had to be an administrative proceeding to determine whether there was a violation. Unless the Board and the violator compromised on a penalty, however, the Board had to pursue a new trial in U.S. District Court to impose penalties. The Deregulation Act gives the Board the authority to impose directly, after notice and hearing, civil penalties that are reviewable in the U.S. Court of Appeals like any other Board order.26/ This new authority should greatly strengthen the Board's enforcement capabilities.

Employee Protection Program: This program, to be administered by the Secretary of Labor, will provide assistance payments to eligible protected airline employees who lose their jobs or suffer pay cuts because of a "qualifying dislocation." A "qualifying dislocation" is defined as a bankruptcy or major contraction of a carrier (i.e., 7 1/2 percent or more reduction in force within a 12 month period), "the major cause of which is the change in regulatory structure provided by the Airline Deregulation Act of 1978, as determined by the Civil Aeronautics Board."27

Studies and Reports: The Deregulation Act directs the preparation and submission to Congress of various studies and reports. (1) By May 1, 1979, the Board must report its recommendations on whether the Act and regulations should be amended to permit air carriers "to sell tours directly to the public and to acquire control of persons authorized to sell tours to the public."28/ (2) By January 1, 1980, the Board and the Secretary of Transportation are directed to report, jointly or separately, on the feasibility and appropriateness of having the States share in the cost of the section 406 and 419 subsidy programs.29/ (3) By December 31, 1980, the Board must report the results of a study of the automatic entry program.30/ (4) By January 1, 1984, the Board must submit a comprehensive review of its implementation of the Act, including a comparison of the air transportation system before and after passage of the Deregulation Act. This review must be accompanied by a recommendation about whether the Board should continue to exist beyond the January 1, 1985, sunset date.31/ (5) The Secretaries of Transportation and Labor are directed to prepare various other studies and reports.

Sunset: On December 31, 1981, most of the Board's domestic route authority expires. The Board will continue to make determinations of air carriers' fitness, however.32/ On January 1, 1983, the Board's authority over domestic fares expires.33/ Also on that date, its authority over domestic mergers and interlocking relationships is transferred to the Department of Justice.34/ On January 1, 1985, the Board ceases to exist unless Congress has taken action to the contrary.35/ Its subsidy authority will be transferred to the Department of Transportation.36/

Authority over foreign air transportation will also go to DOT, which must exercise it in consultation with the State Department.37/ Authority over agreements, foreign mergers, and foreign interlocking relationships will go to Justice.38/ Determinations of domestic mail rates will be made by the Postal Service.39/

Provisions of the Deregulation Act that do not directly affect the Board: (1) The Airport and Airway Development Act of 1970 is amended to preserve until September 30, 1980, the 'air carrier airport" status of airports having that status upon enactment of the Deregulation Act.40/ (2) The Aircraft Loan Guarantee Program, administered by the Secretary of Transportation, is extended for 5 years and made available to commuters and intrastate carriers, and to charter carriers purchasing all-cargo nonconvertible aircraft.41/ (3) DOT and FAA are prohibited from collecting certain "administrative user charges" until those charges are approved by Congress.42/ (4) The President is directed to appoint a board to investigate and report on the labor dispute between Wien Air Alaska and the Air Line Pilots Association. 43/

NOTES

Except as noted, section-number references are to sections of the Federal Aviation Act of 1958 (49 U.S.C. 1301 et seq.), as amended by the Airline Deregulation Act of 1978, Pub. L. 95-504, October 24, 1978. "S. Rept." is Senate Report No. 95-631, February 6 (legislative day, January 30), 1978, to accompany S. 2493. "Conf. Rept." is the Conference Report, H. Rept. No. 95-1779, October 12, 1978, to accompany S. 2493.

DECLARATION OF POLICY

1. S. Rept., p. 52
2. Former section 102(a)(4).
3. Former section 102(a)(3).
4. S. Rept., pp. 51-52.
5. See, e.g., section 416(b).
6. Section 102(a)(1) and (a)(2).
7. Section 419(c)(3); Conf. Rept., p.87.
8. Section 102(a)(3), (a)(4), (a)(9).
9. Section 102(a)(7).
10. Section 102(a)(10).
11. Section 102(a)(5).
12. Section 102(a)(6).
13. Section 102(a)(8).
14. Section 102(a)(10).
15. Conf. Rept., p. 56.
16. Conf. Rept., p. 56.

ENTRY

1. Former section 401(d)(1), (d)(2), and (d)(3).
2. Section 401(d)(1)(A), (d)(2)(A), and (d)(3)(A).
3. Section 401(d)(9)(B) and (d)(9)(C).

ENTRY (continued)

4. Section 401(d)(7)(A).
5. Section 401(d)(7)(C).
6. Section 401(d)(7)(A).
7. Section 401(d)(7)(B).
8. Section 401(d)(7)(D).
9. Section 401(d)(5)(A) and (d)(5)(D).
10. Section 401(d)(5)(B) and (d)(5)(E).
11. Section 401(d)(5)(C).
12. Section 401(d)(5)(J).
13. Subpart R was added to Part 302 by PR-180, October 18, 1978 (43 FR 49529, October 24, 1978). See also PR-183, November 2, 1978 (43 FR 52021, November 8, 1978).
14. Section 401(d)(5)(F).
15. Section 401(d)(5)(H).
16. Section 401(d)(5)(G).
17. Section 401(d)(8).
18. Section 401(d)(6).
19. Section 401(e)(7)(A).
20. Section 401(e)(7)(B).
21. Former section 401(j).
22. Section 401(j)(2) and (j)(1).
23. Section 419(a)(6).
24. Section 401(d)(5)(J).
25. Section 416 (b)(4).
26. Section 419(c).
27. EDR-361, August 30, 1978 (43 FR 39587, September 6, 1978).
28. Section 416(b)(5).
29. Section 416(b)(6).
30. Section 401(p).
31. Section 402(h).
32. Section 401(c)(1).
33. Section 401(c)(2).

ENTRY (continued)

34. Section 401(c)(3).

35. Section 401(c)(2).

36. Conf. Rept., p. 56.

37. Section 1601(a)(1)(A).

38. Section 1601(a)(4).

FARES

1. Former section 1002(d) and (g). In connection with domestic air cargo deregulation, Pub. L. 95-163 amended section 1002(g) on November 7, 1977, to limit the suspension power to fares that the Board has the power to find unjust or unreasonable.

2. Section 1002(d)(4).

3. Section 1002(d)(4)(B).

4. Section 1002(g).

5. Section 1002(d)(4)(B).

6. Section 1002(d)(7).

7. Section 1002(d)(4)(A).

8. Section 1002(d)(6)(A).

9. Section 1002(d)(6)(B).

10. PS-80, August 25, 1978 (43 FR 39522, September 5, 1978).

11. Section 1002(d)(5).

12. Section 1002(d)(6)(C).

13. S. Rept., p. 108.

14. Section 1002(d)(8).

15. Section 403(c).

16. Former section 403(c)(2).

17. Section 1002(g).

18. Section 403(c)(2) and (c)(3).

19. Section 403(c)(1).

20. Former section 404(a)(1).

21. Order 74-12-108, as amended.

22. See, e.g., Order 76-8-72.

FARES (continued)

23. Section 404(a)(1).

24. Section 37(c) of the Deregulation Act. (Unlike most portions of the Deregulation Act, this section contains law itself and does not amend the Federal Aviation Act of 1958.)

25. Section 37(c)(3) of the Deregulation Act.

ANTITRUST

1. Former section 408(b), 3rd proviso.
2. Former section 408(b).
3. Former section 408(b), 1st proviso.
4. Section 408(a).
5. S. Rept., pp. 77-78.
6. Section 408(a)(5).
7. Section 408(b)(1).
8. Section 408(b)(1)(A).
9. Section 408(b)(1)(B).
10. Section 408(b)(1).
11. Section 408(b)(2).
12. Section 408(b)(3)(A).
13. Section 408(b)(3)(B).
14. Cong. Record, April 19, 1978, p. S5860 (daily ed.).
15. Former section 412(a).
16. Former section 412(b).
17. Former section 414.
18. Local Cartage Agreement Case, 15 CAB 850, 852-853 (1952).
19. Sections 412(a) and (b).
20. Sections 412(c) and (d).
21. Section 412(c)(1).
22. Section 412(c)(2)(A)(iii).
23. 12 U.S.C. 1828(c)(5), (7), and 1842(c).
24. Section 412(c)(2)(A)(i).
25. Section 412(c)(2)(B).

ANTITRUST (continued)

26. Section 412(c)(2)(C).

27. Section 412(e)(1).

28. Section 412(e)(2).

29. Section 1010(2).

30. Section 1010(1).

SUBSIDY

1. S. Rept., p.68.

2. Report by the Comptroller General, quoted in S. Rept. at p.70.

3. Section 406(c).

4. Section 406(b).

5. Section 419(a)(1).

6. Section 419(a)(2)(A).

7. Section 419(a)(2)(B).

8. Section 419(a)(2)(A), (B), and (C).

9. Section 419(a)(3).

10. Section 419(a)(4)(A).

11. Section 419(a)(4)(B).

12. Section 419(a)(5).

13. Section 419(a)(6).

14. Section 419(a)(9).

15. Section 419(a)(6).

16. Section 419(a)(7)(A).

17. Section 419(a)(7)(B) and (C).

18. Section 419(a)(7)(B).

19. Section 419(a)(10).

20. Section 419(a)(11)(A).

21. Section 419(a)(11)(B).

MISCELLANEOUS

1. Section 416(b)(1).
2. Section 416(b)(3).
3. Section 101(3).
4. 14 CFR §380.23.
5. Former section 416(b)(1).
6. Section 416(b)(1).
7. S. Rept., p. 86.
8. Section 401(n)(2).
9. Conf. Rept., p.68.
10. Section 401(n)(1).
11. Section 401(n)(4).
12. Conf. Rept., p. 68.
13. Section 401(n)(3).
14. Section 401(q).
15. See, e.g., 14 CFR §208.37.
16. Section 401(d)(4), as added by Pub. L. 95-163.
17. Section 401(d)(4).
18. Section 105(a)(1).
19. Section 105(c).
20. Section 105(a)(2).
21. 5 U.S.C. 552, as amended by section 5 of the Government in the Sunshine Act, Pub. L. 94-409 September 13, 1976.
22. Section 1104.
23. Former section 801(a).
24. Section 801(a).
25. Section 901(a)(1).
26. Section 901(a)(1).
27. Section 43(h)(2) of the Deregulation Act.
28. Section 108.
29. Section 106.
30. Section 401(d)(7)(E).
31. Section 1601(c).
32. Section 1601(a)(1).

MISCELLANEOUS (continued)

33. Section 1601(a)(2).

34. Section 1601(a)(3).

35. Section 1601(a)(4).

36. Section 1601(b)(1)(A).

37. Section 1601(b)(1)(B).

38. Section 1601(b)(1)(C).

39. Section 1601(b)(1)(D)

40. Section 41 of the Deregulation Act.

41. Section 42 of the Deregulation Act.

42. Section 43 of the Deregulation Act.

43. Section 44 of the Deregulation Act.

Questions Submitted by Senator Chiles

Budget Resources for Routes and Pricing

Question: Based on current legislation, the regulatory responsibility of the CAB for routing and pricing expire respectively at the end of 1981 and 1982. How much (personnel and dollars) are included in the CAB budget both for the current fiscal year and the proposed fiscal 1982 for the routing and pricing responsibilities of the agency?

Answer:

	Budget Authority		Positions	
	1981 (000)	1982 (000)	1981	1982
Domestic routes	$1,233	$ 944	29	19
Domestic pricing and tariffs	1,088	1,066	23	23

The above budget authority dollars include the cost of direct and indirect positions assigned to these activities, adjusted by our revised pay supplemental request, and an allocation of operating expenses. Both dollars and positions reflect changes proposed by President Reagan.

We should point out that route licensing involves determinations related to both public convenience and necessity and carrier fitness. In accordance with the Act, the Board will not make route awards on the basis of public convenience and necessity after December 31, 1981.

However, the other aspect of route licensing--fitness determinations--continues until 1985. This includes not only initial fitness determinations, but the statutory requirement to monitor fitness on a continuing basis to assure that carriers are financially and operationally able to provide scheduled

service. For the most part, the direct positions assigned to domestic routes in 1982 will be carrying out this fitness responsibility.

PROGRAM RESOURCES AND TRANSFER DATES

Question: Subsequent to the elimination of the routing and pricing responsibilities, CAB will continue to have responsibilities in the areas of international programs, essential air services, competition maintenance, consumer protection, economic analysis, and fitness analysis for new carriers. These responsibilities will either be transferred to other Federal agencies or cease to be performed at the end of 1984. For each of those areas of responsibility please provide the resources (personnel and dollars) assigned to them both for the current fiscal year and for fiscal year 1982. Also, please note those responsibilities that will be transferred to other Federal agencies.

Answer:

	Budget Authority (000)		Positions	
	1981	1982	1981	1982
International Aviation	$7,271	$7,589	163	157
Essential Air Services	6,744	7,364	154	157
Competition Maintenance	2,449	2,389	55	41
Consumer Protection	4,631	4,268	99	83
Economic Analysis	1,584	1,613	31	29
Regulatory Information	3,881	4,026	87	84

The above information reflects changes resulting from President Reagan's Budget Reform Plan. The Plan further reduced staff from 690 to 656 positions in 1981, and from a requested 655 to 603 positions in 1982. Commensurate with these reductions, we cut our supplemental pay raise for FY 1981 by $650,000, and lowered our FY 1982 request by slightly over one million dollars. The dollars shown above include salaries, benefits, and operating expenses, which in 1982, includes an uncontrollable $1.3 million increase in our GSA-negotiated lease.

Initial and continuing fitness is not a separate activity; rather, it is a workload in the applicable functional area. Thus, personnel and costs assigned to fitness are included in the above international aviation and essential air service program areas, and the scheduled service activity, which was described in response to the previous question.

As the ADA now stands, the International and Essential Air Service functions transfer to DOT on January 1, 1985. In the Competition Maintenance area, the Board's authority over domestic mergers and interlocking relationships transfers to DOJ on January 1, 1983. Authority over international mergers and interlocks, as well as authority over all agreements, transfers to DOJ on January 1, 1985.

The remaining functions--Consumer Protection, Economic Analysis, and Regulatory Information--will Sunset on December 31, 1984 under current provisions of the Act. However, the Board is now developing proposed legislation to deal with these and other aspects of the ADA. For the most part, the Board's proposals will be technical in nature, so as to provide an orderly and well defined transition regardless of either the current or proposed accelerated Sunset date(s).

IMPACT OF PROPOSED OR ACCELERATED STAFF REDUCTIONS

Question: The 1982 budget request of 655 positions for the administration of CAB programs represents only a 5% reduction from the 1981 ceiling of 690. In view of the fact that CAB is sunsetting major portions of its responsibility with total expiration scheduled for the end of 1984, is a 5% reduction of positions a sufficiently rapid phase out of funding levels? Please explain. What would be the impact of a 20% or 30% resource reduction for 1982?

Answer: While major portions of the Board's responsibility are being abolished, one half of our employees are engaged in functions specifically transferred by the Airline Deregulation Act and most of the programs being abolished continue to sunset in 1985. Only segments of the routes and rates functions are to be abolished prior to that time (i.e, December 31, 1981 and January 1, 1983, respectively) and the work involved in these areas has already been phased-down to a total of only 29 staff-years or approximately 4% of the Board's current employment. While we are attempting to phase-out employment significantly in all areas being abolished and to generally reduce employment in other areas as well, as reflected in our revised FY 82 employment ceiling request of 603 (a reduction of approximately 13% from our original FY 81 ceiling) a reduction of 20 to 30% would significantly reduce our ability to conduct a careful and orderly transition to deregulation and sunset and would adversely affect our performance of continuing functions as well.

Such a rapid reduction rate would also greatly increase the difficulties involved in managing our human resources during this transition period. While we can probably manage the reduction in our revised FY 82 ceiling without having to conduct a reduction-in-force (RIF) to separate permanent employees, a reduction of 20 to 30% would almost certainly necessitate a significant RIF of permanent as well as temporary employees. While the current reduction rate allows us some time for retraining and outplacing employees in functions being abolished, consistent with the phasing-out of these functions, a much more rapid rate would have a major impact on the time available for such efforts and their effectiveness. Furthermore, a more rapid reduction rate with the RIF's which would accompany it, would likely cause panic among the employees, leave them with little time to plan and adjust to career and job changes and lead many of them to leave immediately, including those critical to the continued functioning of the agency. Such effects would prevent us from achieving an orderly sunset and serving as a model for future sunsetting agencies.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE INSPECTOR GENERAL

STATEMENT OF JOSEPH J. GENOVESE, ACTING INSPECTOR GENERAL AND ASSISTANT INSPECTOR GENERAL FOR AUDITING

ACCOMPANIED BY:

LAWRENCE CRESCE, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

RENALD P. MORANI, ASSISTANT INSPECTOR GENERAL FOR POLICY, PLANNING, AND RESOURCES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The balance of the afternoon will be devoted to hearing the Office of the Inspector General, Department of Transportation. You are sort of an old pro, so you ought to be able to touch on the highlights of this.

Please introduce the two gentlemen with you, Mr. Genovese. You may then proceed with your statement, and we can go on to questions.

Mr. GENOVESE. I appreciate the opportunity to appear before this committee.

On my right is Mr. Renald Morani, the Assistant Inspector General for Policy, Planning, and Resources. Next to him is Mr. Lawrence Cresce, the Assistant Inspector General for Investigations.

FUNDING LEVEL

For fiscal year 1982 we are asking for a total funding level of $24.9 million for the operation of the Office of Inspector General. The budget includes no new or expanded operations, but it is an increase of $1.2 million over fiscal year 1981.

This increase is primarily for personnel compensation and benefits, increases in the rental rates charged by the General Services Administration for office space, and anticipated increases in rates charged for contract audit services provided by the Defense Contract Audit Agency.

This funding level will provide for salary and benefits for 482 full-time equivalent positions and approximately 4 travel days per month for each traveling professional to conduct audits and investigations.

The Inspector General Act of 1978—Public Law 95-452—established the Office of the Inspector General as an independent and objective organization to conduct audits and investigations, and also promote economy, efficiency, and effectiveness.

In the Department of Transportation, this Office was established on February 25, 1979. At that time seven separate organizations were transferred into one centralized organization.

FISCAL YEAR 1980 ACCOMPLISHMENTS

Fiscal year 1980 represented our first full year of operation, and we believe that the progress made toward implementation of the Inspector General Act during this period has been substantial. Our reorganization and consolidation is essentially complete. The headquarters realinement is completed and the field office reorganization will continue this year. We have prioritized our workload, and have also established a computerized management information system.

As reported in our fiscal year 1980 semiannual reports to the Congress, we issued 2,021 audit reports and audited a total of $12.4 billion during that period. Some of these audits identified system and control deficiencies which, when corrected, will prevent fraud, abuse, or mismanagement. Other audits included recommendations for increasing the efficiency of the Department's operations and avoiding unnecessary costs. We estimate that the potential benefits of these recommendations will amount to over $283 million.

Our investigative activities have resulted in 37 indictments during this period, 44 convictions, $3.3 million in funds recovered, and $430,000 in cost savings. The prison sentences that were imposed as a result of our investigations amounted to 36 years, and probations totaled 44.5 years. In addition, we had 27 cases that were referred to management for administrative remedies.

These statistics reflect the continuing increase in the results produced by our investigative staff. However, similar increases are reflected in the number of cases opened and pending. Consequently, we entered fiscal year 1981 with 215 cases pending.

I might add that in our investigative area, while many of the cases are reactive in nature—that is, the investigation is initiated due to allegations, complaints, or requests—our most significant investigative activity has been in the area of proactive investigations. One of the two current efforts involves investigations of antitrust violations in the highway and airport construction programs. We have another effort that involves the review of medical disability claims, which is being conducted jointly with the Department of Labor.

CURRENT OPERATIONS

In our current operations we place a high priority on the detection of waste and fraud. However, we also emphasize review of the existing systems to determine the effectiveness of internal controls to prevent fraud and waste.

I firmly believe that waste and error are even greater drains on Government efficiency and effectiveness than fraud. Detection of fraud is important, and we should go after fraud, but I believe prevention is much more cost effective in the long run.

We are trying to increase the coverage and frequency of the internal audits. These audits of the internal Department of Transportation operations result in more efficient and effective management. They also have a deterrent effect in that they may actually prevent future fraud or other improprieties.

Audits of this type in general have been limited to areas of known or suspected deficiencies because the audits of grant recipients have dominated our audit workload. The Department is a major grantor agency and therefore grant audits continue to require a significant amount of audit resources.

A-102 IMPLEMENTATION

Full implementation by all Federal agencies of the single audit concept which has been prescribed in OMB Circular No. A-102 may eventually reduce the direct audit effort that is required in these grant programs. However, it is too early to determine the overall impact on manpower savings.

Circular A-102 prescribes that recipients of Federal grant funds must obtain independent audits every 2 years in accordance with prescribed standards and appropriate oversight by Federal auditors. The single audits conducted under this concept which meet the prescribed requirements will be relied upon by all Federal agencies to avoid duplication of audit effort. We will continue to aggressively pursue this approach in view of the potential long-range benefits of less direct audit involvement.

INCREASED AUDIT SERVICES

The volume of contract-related audit work continues to increase, and because of other work priorities, has required substantial use of outside audit services to handle these requirements on a timely basis. Additionally, the Offices of Inspectors General have been directed by the Congress and the Office of Management and Budget to specifically review such areas as year-end buying, consulting services, and audit followup systems.

There is a continuing need to provide additional audit services to program officials to enable them to effectively manage their activities. These services are being provided to the extent that resources are available, but not always as timely as desired.

INVESTIGATIVE OPERATIONS

Our investigators are producing significant results. We intend to use the experience gained in the highway and airport bid-rigging investigations to detect similar activities in other DOT construction activities.

Efforts will continue to reduce the backlog of investigative cases. Because of the complex, protracted, and sensitive nature of these cases, substantial investment of investigative resources is required as well as audit support for extensive analysis of documents and records. Cases which are not suitable or declined for prosecution are being referred for appropriate administrative action.

In our efforts to maximize results from available investigative personnel resources, we have prioritized our investigative activities to focus on major impact cases involving public integrity or those of high dollar value in preference to lower impact cases such as travel voucher fraud and time and attendance abuses.

We will continue to expand our fraud prevention activities. More vulnerability assessments will be made of the DOT programs and operations. In addition, we will advise departmental managers of ways to prevent fraud.

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SUMMARY

In summary, I believe that we have made substantial progress in establishing the operations of the Office of Inspector General. However, much remains to be done.

Within the capability of our available resources, our emphasis during this year will be placed on reducing the backlog of investigations, reducing the present unacceptable time interval for internal audits, increasing surveys which seek out indications of fraud and abuse, and increasing the audit support to the modal administrations. This concludes my statement. I will be glad to answer any questions you may have.

BIOGRAPHICAL SKETCHES

Senator ANDREWS. Thank you. We will insert your biographical sketches at this point in the record.

[The biographical sketches follow:]

JOSEPH J. GENOVESE

ASSISTANT INSPECTOR GENERAL FOR AUDITING

OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF TRANSPORTATION

Type of Appointment: Senior Executive Service - Career

Date of Birth: December 13, 1929

Place of Birth: St. Michaels, Pennsylvania

Education:

B.A., Clarion State College (1953), Clarion, Pennsylvania

M.B.A., American University (1962), Washington, D.C.

C.P.A., Maryland (1963)

Professional Experiences:

1980 -	Assistant Inspector General for Auditing
1979-1980	Acting Assistant Inspector General for Auditing
1975-1979	Director of Audits, OST, Department of Transportation
1974-1975	Deputy Director of Audits, OST, Department of Transportation
1970-1974	Chief, Grants Management Staff, Office of Installations and Logistics, Department of Transportation
1967-1970	Director, Audit Division, OEO Audit Division, Washington, D.C.
1965-1967	Supervisory Auditor, OEO Audit Division
1962-1965	Supervisory Auditor, Audit Division, NASA
1958-1962	Supervisory Auditor, U.S. General Accounting Office
1955-1958	Teacher (Public Schools in Maryland and Pennsylvania)
1953-1955	Aerographer, Armed Forces
	Concurrent Employment
1969-Date	Adjunct Associate Professor in Accounting and Auditing, Catholic University of America

Awards:

1980 Silver Medal for Meritorious Service, Department of Transportation

LAWRENCE A. CRESCE

Assistant Inspector General for Investigations

Type of Appointment: Senior Executive Service - Career

Date of Birth: June 23, 1929

Place of Birth: New Castle, Pennsylvania

Education: B.A., University of Pittsburgh (1950)

M.B.A. Program, Duquesne University, Pittsburgh, Pennsylvania (1955-60)

Federal Executive Institute (1979)

Professional Experience:

1980-present	Assistant Inspector General for Investigations, Office of Inspector General, DOT
1977-1980	Director of Special Investigations, Defense Investigative Service, Washington, D.C.
	(Part-time) Adjunct Instructor, White Collar Crime, Federal Law Enforcement Center, Glynco, Georgia
1975-1977	Chief, Special Investigations Division, Washington Field Office, Defense Investigative Service, Washington, D.C.
1972-1975	Operations Officer, Defense Investigative Service District Office, Louisville, Kentucky
1967-1972	Management Coordinating Officer Special Agent-in-Charge Naval Investigative Service, Chicago, Illinois
1954-1967	District Office, Naval Investigative Service (formerly Office of Naval Intelligence) Philadelphia, Pennsylvania

Awards: Federal Investigator of the Year (1978)
Exceptional Civilian Service Award (1979)

Affiliation: Association of Federal Investigators
Vice President (1981)

RENALD P. MORANI

ASSISTANT INSPECTOR GENERAL FOR POLICY, PLANNING & RESOURCES

OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF TRANSPORTATION

Type of Appointment: Senior Executive Service - Career

Date of Birth: March 17, 1934

Place of Birth: Herrin, Illinois

Education:

B.S. Southern Illinois University (1957)

Certified Internal Auditor, 1973

Federal Executive Development Program (1978-1980)

Professional Experiences:

1980 -	Assistant Inspector General for Policy, Planning and Resources, Department of Transportation
1977-1980	Chief, Audit Management Division, Defense Audit Service
1976-1977	Program Director, Plans and Resources, Defense Audit Service
1972-1976	Chief, Logistical Audits Division, Office of the Secretary of Defense (Comptroller)
1967-1976	Senior Staff Auditor, Office of the Secretary of Defense (Comptroller)
1957-1967	U.S. Army Audit Agency

Awards:

Meritorious Civilian Service Award, Defense Audit Service (1979)

HIRING OF AUDITORS BY AGENCIES

Senator ANDREWS. The conferees last year expressed the concern that the Highway and Mass Transit Administrations are hiring additional personnel to perform functions that were once performed by agency auditors transferred to the Office of Inspector General. They directed the Department to stop this practice or justify on a case-by-case basis why it was necessary to duplicate the functions in individual agencies, which appear to be the responsibility of the Inspector General.

To what extent is there duplication of auditing functions being performed by the Office of Inspector General and the individual agencies?

Mr. GENOVESE. Mr. Chairman, to my knowledge there is no duplication of effort. There are no auditors or investigators in the agency that are conducting audits and investigations that are supposed to be done by the Office of Inspector General.

I believe what may have happened is that prior to the establishment of the Office of Inspector General, the modal administrations had their own auditors. These auditors in many cases were used to conduct and perform some financial management activities.

When these auditors were transferred into the Office of Inspector General the program managers probably felt that some of these financial management activities were still required to be accomplished. Therefore, they hired some financial managers but not auditors. We do not have auditors in the modal administrations that are conducting audits. I might add that there are some inspectors and investigators within the FAA and the Coast Guard, that are doing specific program inspections or investigations that do not fall under the purview of our office.

OFFICE CONSOLIDATION

Senator ANDREWS. The conferees also cited one instance where an employee was moved from a district office to a regional office, only to move back to the district office on travel and per diem a few days later. What actions have you taken to correct this sort of problem?

Mr. GENOVESE. The particular instance you cited probably happened in the very initial stage when we were consolidating our offices. In other words, we started out with 88 offices in the Department of Transportation in 61 cities. We analyzed our workload and determined a need to concentrate our resources where our workload existed.

In the process, we had to consolidate offices and move some people. In that particular initial effort, where we moved an individual or individuals from one office to a central location, he may have had work in process. He may have had to go back to finish some work that had already been started. I think that this is always going to happen during any consolidation.

Senator ANDREWS. Can you, for the record, relate to the instance the conferees were citing? And indicate also for the record what specific steps you have taken to prevent this from occurring again?

Mr. GENOVESE. We would be glad to do that. But I want to clarify that in that specific instance an individual was probably moved from a particular town into a central field location, and then subsequently was sent back to that town to conduct or complete an audit. Well that can

happen. But the purpose of our consolidation is to combine resources into a central location, so we can send audit teams to locations dictated by priorities.

But I will provide it for the record.

[The information follows:]

The details of the instance cited in the conference report were not provided to the OIG. Consequently, an analysis of the circumstances cannot be made. However, we believe that the particular instance cited happened during the initial stages of our consolidation efforts. It is quite possible that an individual relocated from one office to a central location and had work in process at the time. This would have entailed returning to the original location to finish the work already started. We believe this situation to be an isolated instance.

FIELD OFFICES

Senator ANDREWS. Your supplemental budget request of $1 million includes $400,000 to establish your own field office structure. Is this really necessary? What benefits are you going to get from it?

Mr. GENOVESE. Mr. Chairman, the intent of the Inspector General Act was to establish an organization which would conduct fraud and abuse investigations in a well-planned and coordinated way. In order for us to carry out that mandate, we had to analyze our workload and determine what was the most efficient way of carrying out the mandates of the act, and the intent of the act, within our limited resources. We determined that there were too many field offices throughout the country. In many cases, it was one- or two-man offices that were involved in auditing a particular segment of the Department of Transportation program and not necessarily on a priority basis.

We felt that we needed to concentrate our efforts. You are not very efficient if you have one man out there continuously auditing a particular program. Therefore, we consolidated these offices and determined that we need to have people in about 29 offices throughout the country, rather than the 61 cities and the 88 offices.

We think that this consolidation is very beneficial and that's the only way we can operate efficiently. The capability to conduct audits and investigations on a priority basis must be available.

TRAVEL

Senator ANDREWS. In your most recent semiannual report to the Congress you mentioned the burden of travel limitations that had been imposed on you. What problems are you experiencing in implementing your planned field office consolidation?

Why would you want this consolidation if this results in a significant increase in travel expense?

Mr. GENOVESE. Auditors and investigators will always have to travel, regardless of where they are. The individuals in those locations which were closed were also traveling to some extent. Our consolidation is not the direct or only cause of the increase in the travel budget.

I guess by that I mean, Mr. Chairman, is that prior to——

Senator ANDREWS. What you must mean is that there is going to be no more travel after the consolidation of the offices, or not any increase in travel after the consolidation of the offices.

Mr. GENOVESE. No, sir; the amount of increase in travel due to consolidating offices is nominal. Prior to the IG we had seven fragmented organizations spread out throughout the country. Their mission and their objectives were much different than what we are doing now. Again, a one-man office auditing strictly a highway program is not the way that we can get the most bang for the buck, as we like to say. In other words, utilizing our resources for our highest priority cases. In order to do that, you have to send out teams of auditors where required. Additionally, these teams of auditors require certain expertise, which generally is not available in a small office.

If you have an auditor up in Maine, the fact that we consolidate and move him to Boston, along with other individuals, does not necessarily mean that there is going to be more travel expense. The priority workload in Maine may not justify a full-time presence. The workload may exist around Boston and its vicinity.

So, the increase in travel is not only the result of relocating these people. The increase in travel is a result of a different approach where we are going to areas that were not being audited before.

SUPPLEMENTAL BUDGET REQUEST

Senator ANDREWS. Can you provide more explanation for the record as to how you anticipate these audit hours are going to be helped by the consolidation? We will let you write up your own three- or four-paragraph scenario in the best language you can. We have to take a record to the floor and justify to our colleagues what we are doing. And they are going to say: Look, they are complaining about increased travel allowance, but they're pulling people in from out in the field, so they are going to spend more.

And you just said this is not the case. Give me a few more facts for the record I'll give you 1 or 2 weeks to figure it out, so that we will have this backup information that we need if somebody raises the question.

How much of the supplemental budget request of $600,000 is as a result of the increased travel necessary for having established this field office structure? How much of it is due to what you say is an increased emphasis on audits?

I can't believe that these people just sat on their duff in the office and didn't go out and do anything in the past.

Mr. GENOVESE. Sir, the increase in the supplemental is as a result of our analysis of our workload, where we are going to audit this particular year, and how much travel money is needed to accomplish that workload.

[The information follows:]

The Inspector General Act requires the Office of Inspector General to perform audit and investigative reviews of departmental programs and operations and provide oversight monitoring of non-Federal auditors. OMB Circular A-102, attachment P requires grantee's to provide adequate, independent audits of federally assigned programs for financial and compliance reviews and Federal Departments to place increased reliance on audits made by State and local governments. Under the OIG's changing mode of audit, external audit workload would be concentrated at major grantee locations and internal audit workload would be concentrated at departmental operational locations. In only a few locations outside of the regional cities would audit workload be great enough to

warrant a full-time presence of audit staff. Consequently, it would be necessary to establish suboffices only in those few locations where a full-time presence would be justified. The remaining field audit staff would be located centrally in the regional cities.

RESTRUCTURING LOCATIONS

Senator ANDREWS. How much of that increase of $600,000 is because of the restructuring of the field offices?

Mr. MORANI. Initially, in our first full year of operation, fiscal year 1980, we had an artificially low ceiling because of the congressional travel limitation. Our full audit program could not be accomplished within that ceiling.

Under the consolidation, we moved certain staff members from outlying offices into a regional office. It is true that many of the people in the original 61 offices did very little, if any travel. The consolidation will have only a nominal impact on our travel costs.

Our predecessor organizations had mostly a residency operation, where they would be fixed in a particular State capital doing primarily highway grant audits. With the change to OIG, our responsibilities and thus our planning became departmentwide. The consolidation process focused on how to provide the most effective audit services to departmentwide programs, considering available resources and our responsibilities as mandated by the Inspector General Act. That necessitated the consolidation and some increase in travel from a central office.

The fiscal year 1980 budget amount of about $800,000 for travel was short by almost $500,000. We projected our travel costs to be about $1.3 million. Our fiscal year 1981 supplemental is really an increase to cover travel costs for our original plan, not in excess to our original needs but just to catch up to our original program. We had an increase in travel primarily because of our new focus on departmentwide programs and the elimination of the resident-type audit operations that we had under the prior audit organizations.

[The information follows:]

The consolidation of our field office structure has had little impact on our request for additional travel funds for 1981. The major reason for the requested increase was the congressionally imposed travel ceiling during fiscal year 1980.

During fiscal year 1980, we were provided $897,000 for travel and transportation. An additional $150,000 was provided late in the fiscal year as a result of our requests to the Department for relief. Prior to the granting of this relief, the OIG had halted all program audit travel on May 28.

Our original fiscal year 1981 travel and transportation request of $1,831,000 was reduced to $842,000. This amount was predicated not upon our known requirements, but on an artificially low amount based upon the previously discussed congressional freeze on 1980 travel funds. We are now requesting a travel level of $1,442,000 for fiscal year 1981—a supplemental of $600,000—to provide each traveling professional with 4 travel days per month. Previous travel funding allowed for less than 2 travel days per month for each traveling professional. Workload at this level was addressed by location rather than priority.

We feel that this request is the minimum acceptable level at which the OIG can even partially meet audit and investigative operational requirements. This amount would remain substantially unchanged assuming no consolidation. Approval of our supplemental request will allow OIG to address workload on a priority basis.

INTERNAL AUDITS

Senator ANDREWS. Yet your statement points out internal audits have generally been going into areas of known or suspected deficiencies. What steps have you taken to increase the coverage and frequency of internal audits, and what specific objectives do you hope to achieve in that regard?

Mr. GENOVESE. During the past year the grant backlog that we have had in the FAA took up a lot of our efforts. We are a grantor agency.

With respect to internal audits, we have identified all of the segments of the departmental programs that should be audited on a cycle basis. We have established a 5-year cycle. In other words, each program should be examined at least every 5 years. In some cases they should be examined more frequently. But on the average we projected a 5-year cycle.

What we plan, within available resources is to focus on the highest priorities. We have only been able to give minimum coverage in most cases. We have tried to have a balanced approach to all of our audit responsibilities. We have some congressionally mandated things we have to do. We have grant audits, and whatever is left we devote to the internal audits.

We hope that we can increase the coverage of internal audits. We believe that the OMB Circular A-102, which imposes certain requirements on recipients of Federal grants, will provide us a mechanism where we can switch from the grant area into more of the internal audit area.

SUBMITTED QUESTIONS

Senator ANDREWS. I have some other questions that I will leave with you that you can answer for the record. I also have some questions, Mr. Inspector General, that were drafted by my colleague Senator Chiles that I would like to have you answer for the record.

I appreciate your coming. You have added a great deal to the hearing.

Mr. GENOVESE. Thank you.

[CLERK'S NOTE.—The OIG Draft of Proposed Debarment Regulation was submitted for the committee files.]

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

TRAVEL COSTS

Senator Andrews: Provide a table for the record comparing the cost of travel of the Office of the Inspector General with the audit staffs of the modal administrations prior to the establishment of the Inspector General's office.

Response: Total costs of the former audit elements of the Department are not available. Comparative tables cannot be provided. Comparison would not be meaningful due to the substantial changes in mission, functions and methods of operation.

Travel funds provided the Office of Inspector General through the transfer of audit and investigative functions from the operating administrations was accomplished by budget amendments for FY 1980. The travel funds identified for transfer were as follows:

Prior Organizations	($ in Thousands) Amount
Office of the Secretary	$ 177
Federal Aviation Administration	111
Federal Highway Administratrion	253
Federal Railroad Administration	83
Urban Mass Transportation Administration	31
National Highway Traffic Safety Administration	37
Total FY 1980	$ 692

New Office of Inspector General:

FY 1981 Program

Appropriated	$ 794	
Requested Reduction	-139	
Apportioned	655	
Requested Supplemental	600	
Total FY 1981		$1,255
FY 1982 Request		1,391

Prior to the establishment of the OIG, the Office of Audits - OST performed all internal audits of Departmental operations. The total staff of less than 100 was divided between the Headquarters office and 10 regional offices. A fairly substantial amount of travel was required by both Headquarters and field staff.

External audits were performed by audit elements in the Federal Highway Administration, Federal Aviation Administration and Urban Mass Transpsortation Administration. FHWA had a small headquarters staff, small regional offices and audit offices located at the State Highway Department headquarters in each State. The total FHWA audit staff numbered nearly 300. In many State offices the audit work was centralized and required little or no travel by the FHWA staff. In relation to the size of the staff, total travel was moderate. The FAA audit staff totaled about 50 and was divided

between a moderate headquarters staff and 5 field offices. The FAA audit procedures resulted in very little travel by headquarters staff and very moderate travel by field staff. The UMTA audit staff totaled only 17 professionals, divided between headquarters and 5 field offices. There was little travel by headquarters staff but fairly substantial travel by field staff.

One of the initial priorities under the new OIG was a consolidation of field office structure and a major reallocation of audit resources to enable the office to responsibly address the mandates of the IG Act. The field staff organization is being consolidated into 10 larger regional offices and 19 suboffices, located in most instances, at the site of heavy DOT workload. Changes in operational methods include a major reduction in the audit staff time devoted to FHWA audits. This has also been heavily impacted recently by the application of OMB Circular A-102 whereby FHWA and the State highway organizations will arrange for appropriate audit coverage by the States. OIG's role will be to provide assurance that the audit work meets required standards. Oversight reviews will require travel to the State highway organization, and depending on the State structure, may require travel to division or district locations.

Our audit effort, and associated travel needs, directed towards FAA and UMTA grants is expected to decrease, to some degree, over the next couple of years. As the A-102 concept becomes fully operational and grantee auditors become familiar with the requirements, this decrease should become significant.

As our staff requirements decrease for grant programs, the resources made available will be shifted towards addressing the unacceptable frequency (audit cycle) of internal audits of programs and functions. Internal audits usually are performed by teams of auditors and usually require travel to actual work sites. As this type of work is expanded, the travel requirements will increase.

SINGLE AUDIT CONCEPT

Senator Andrews: What is meant by the term "single audit concept" and tell us how that concept relates to the concept of the Office of Inspector General. Would implementation of this audit concept allow you to increase the coverage and frequency of internal audits?

Response: The "single audit concept" requires audit coordination between Federal, State and local audit organizations to preclude more than one audit of an organization or a set of transactions. The audit coordination must assure that the scope of the audit is sufficient to satisfy the requirements of each audit organization. Under this concept the audits must be made on an organization-wide basis rather than a grant-by-grant basis. From the Federal standpoint such audits must determine whether (a) financial operations are conducted properly, (b) the financial statements are presented fairly, (c) the organization has complied with laws and regulations affecting the expenditure of Federal funds, (d) internal procedures have been established to meet the objectives of Federally assisted programs, and, (e) financial

reports to the Federal Government contain accurate and reliable information.

The Office of Management and Budget (OMB) in Circular A-102, Attachment P, established the audit requirements for grants-in-aid to State and local governments. These audit requirements incorporate the GAO Standards for Audit of Governmental Organizations, Programs, Activities and Functions; the Guidelines for Financial and Compliance Audits of Federally Assisted Programs; any compliance supplements approved by OMB, and the generally accepted auditing standards established by the American Institute of Certified Public Accountants.

OMB designates the Federal agency that is assigned audit responsibility for a particular recipient organization. The responsibilities of the cognizant agency include but are not limited to:

(1) Obtaining or making quality assessment reviews of the work of non-Federal audit organizations, and providing the results to other interested audit agencies.

(2) Requiring corrective action wherever significant inadequacies in an audit are disclosed.

(3) Assuring that satisfactory audit coverage is provided timely and in accordance with the audit requirements.

(4) Providing technical advice and serving as a liaison between Federal agencies, independent auditors and recipient organizations.

(5) Informing other affected audit agencies of irregularities uncovered.

Compliance with the audit requirements will provide independent, objective audits of the Federally assisted programs. OIG review and acceptance of the work of other audit organizations will satisfy the requirements of the OIG legislation.

We have been aggressively pursuing the implementation of OMB Circular A-102 audit requirements in the Departmental grant programs. Full implementation of the single audit concept to these programs will reduce OIG staff requirements and permit the application of additional resources to the Departmental internal operations and functions. The added audit effort will reduce the audit cycle and provide for more in-depth coverage.

DEBT COLLECTION

Senator Andress: For the record, please summarize the outstanding total of overpayments or uncollected debts in the Department of Transportation.

Response: Based on a review of Departmental records, the attached exhibit shows the total uncollected debts owed the Department of Transportation (see Exhibit 1).

Exhibit 1

Schedule of the Uncollected Debts
Due to the Department of Transportation
As of September 30, 1980
(amounts in thousands)

Administration	Accounts Receivable	Allowance For Bad Debts	Advances Receivable	Loans Receivable	Total
Office of the Secretary	$ 6655	$ -0-	$ 4753	$ -0-	$ 11408
Federal Railroad Administration	13063	-0-	27453	85877	126393
Federal Aviation Administration	31956	(148)	12077	-0-	43885
United States Coast Guard	52550	(8885)	45857	-0-	89522
Federal Highway Administration	14728	-0-	16061	190246	221035
National Highway Traffic Admin.	5292	-0-	7535	-0-	12827
Urban Mass Transportation Administration	10049	(8812)	55	47196	48488
St. Lawrence Seaway Development Corp.	1099	-0-	-0-	-0-	1099
Transportation Systems Center	-0-	-0-	91	-0-	91
Alaska Railroad	8595	(259)	28	-0-	8364
Total	$143987	($18104)	$113910	$323319	$563112

Our on-going audit of cash management indicates that amounts due based upon audit findings were generally not included in the amounts shown above. The Department recently issued an order to all operating administrations requiring these amounts to be established as accounts receivable. The Department has also guaranteed loans of about $2.6 billion. To date, $57 million of defaulted loans are included in debts owed the Department.

UNRESOLVED AUDITS

Senator Andrews: In last year's hearing, you were unable to respond to a question regarding the Status of Unresolved Audits. How much do you estimate is currently involved in unresolved audits?

Response: As of March 14, 1981 we have 141 audit reports for the period 10/1/79 to 9/30/80 that have not been completely resolved. In addition, there are 48 reports partially closed. These reports are, or will be over 6 months old as of March 31, 1981 (the closing date of the next semi-annual report). We estimate that there are $92 million in questioned costs and $309 million in unresolved costs that remain open. Questioned costs are normally costs that the auditors believe to be ineligible while unresolved costs represent costs that the auditor feels are not adequately documented. The vast majority of unresolved costs are usuallly restored to the grantee at a later date. There is an additional $20 million classified as "other dollar benefits." This category is normally composed of cost-avoidance type benefits.

In addition, as of March 4, 1981 we have 174 reports issued during the period 10/1/80 to 2/28/81 that have not been completely resolved. There are also 8 reports partially resolved. These reports are less than six months old. We estimate that there are about $40 million in costs questioned, $48 million in costs unresolved and $25 million in "other dollar benefits" in these reports.

INVESTIGATIVE BACKLOG

Senator Andrews: Detail your current investigative backlog.

Response: Our current backlog of investigative projects is 202 out of a total investigative inventory of 382 as indicated by the following categories:

	Active	Suspended	Total
Open Investigations	129	163	292
Hotline	42	36	78
Fraud Surveys	9	3	12
	180	202	382

The active projects are those wherein the OIG has an inquiry in progress or those cases where most of our investigative effort has been completed and the matter is awaiting judicial or administrative action.

The projects in the suspended category are those which have received a minimal preliminary effort and are not being actively pursued at the present time awaiting assignment pending agent availability.

FUND TRANSFER

Senator Andrews: Please explain the transfer of over $8,000,000 from the Federal Highway Administration.

Response: During the establishment of the Office of Inspector General it was decided that the Federal Highway Administration should reimburse from the Highway Trust Fund the Office of Inspector General for their audit and investigative services. In implementing the Inspector General Act more than half of the staff and approximately 40 percent of the costs of the consolidated audit and investigative functions of the Department were transferred from the Federal Highway Administration. Since these transferred resources were required mainly for the Federal Aid-Highway Program, it was deemed appropriate for this segment of the Inspector General operation to continue to be financed from the Highway Trust Fund. Therefore, a ratio of approximately 60 percent appropriated, 40 percent FHWA was established at that time. This ratio, with minor adjustments, has been continued to determine the Federal Highway reimbursement to the OIG for subsequent fiscal years.

CONDUCT AND SUPERVISION OF AUDITS AND INVESTIGATIONS

Senator Andrews: The summary statement in your budget justifications says that you are organized to conduct and supervise audits and investigations. Which audits do you conduct and which do you supervise? Explain the rationale for this.

Response: The phrase "conduct and supervise" is taken from the language in the Inspector General Act of 1978. Several kinds of audits are made in DOT by several different audit groups. The OIG conducts some audits directly, supervises or monitors certain audits made by non-Federal auditors and coordinates audits of DOT grants and contracts made by other Federal agencies. Audits conducted directly by the OIG include program/functional audits of DOT programs and operations, organization-wide and/or individual grant audits where the grantees are unable to fulfill their audit responsibilities, and DOT contracts. The OIG supervises or monitors and reviews for adequacy audits of grants made by non-Federal auditors. Audits coordinated by OIG are those audits of grants or contracts where another Federal agency is cognizant, such as DCAA or HHS. The scope of the various audits may vary according to the objectives to be achieved and may include audits for financial and compliance, efficiency and economy and program results.

The rationale for this approach is to achieve the most efficient, economic and effective audit operations and to comply with the Inspector General Act of 1978, OMB directives and GAO auditing standards.

In our investigative area, "conduct and supervise" are virtually synonymous in practice. Some of our cases are conducted and supervised exclusively by our own investigators working closely with prosecutors; some of our cases are conducted jointly with the FBI or other investigative agencies (either at our request or theirs, depending on the nature of the issues involved and who received the initial complaint); other cases are referred for exclusive investigation by the FBI or other agencies, depending on issues involved, jurisdiction and resource availability.

WORKLOAD PRIORITIES

Senator Andrews: Regarding 384 audit positions and 44 investigative positions. Is this an accurate reflection of the relative priorities of these two activities? Please explain.

Response: This is not an accurate reflection of the relative priorities but rather the result of the hiring freeze on initial and subsequent recruiting efforts. It should be noted that 13 of the 50 positions waivered from the freeze in November 1980 were assigned to investigations. It is our intention, to add more investigators as permitted by budget and personnel constraints.

FOCUS OF INVESTIGATIONS

Senator Andrews: What are your specific priorities in focusing your investigative activities?

Response: Our investigative priorities, which coincide with those established by the Attorney General relative to white collar crime, are as follows:

Priority 1:

a. Highest priority investigations if allegations of wrongdoing contain any of the following elements:

(1) Impact on public safety.

(2) Impact on public integrity (public corruption); i.e., indications of wrongdoing by high-level officials or employees in sensitive or fiduciary positions.

(3) Significant impact on program integrity.

(4) High-level interest or requests:

- White House.
- Congressional.
- Secretarial.
- Inspector General.
- DOJ request for assistance.

(5) High dollar impact.

- Extent of fraud.
- Potential cost savings; loss avoidance.

b. Initial review of hotline complaints to permit immediate prioritization of the complaint.

Priority 2

a. Criminal violations related to fraud, waste and abuse; e.g., bribery, conspiracy to defraud, false claims and statements, embezzlement, kickbacks, mail and wire fraud, anti-trust violations. (Usually same as Priority 1 without special impact factors.)

b. Privacy Act violations.

c. Proactive investigations.

Priority 3 - Regulatory/Administrative Violations.

a. Violations of Standards of Conduct.

b. Conflicts of interest with minimal prosecutive potential.

c. Waste and mismanagement.

d. Debarment, suspension actions.

e. Adverse administrative actions.

Priority 4 - De Minimus (Minimal Loss or Damage to the Government).

a. Travel fraud.

b. Time and attendance fraud or abuse.

c. Misuse of Government property and/or equipment.

Currently, our top priority cases include bid rigging in highway and airport construction projects funded by Federal Highway Administration and Federal Aviation Administration, medical disability claims and procurement irregularities.

MORALE AND RETENTION

Senator Andrews: What problems have you had with regard to the morale and retention of staff? To what do you attribute these problems and what remedial actions have you taken?

Response: Since establishment of the Office of Inspector General the most significant factor affecting morale or retention of staff has been the reorganization and consolidation. This reorganization entailed effectively accommodating the seven autonomous predecessor organizations located in 88 offices in 61 different cities. Most of the reorganization and consolidation has been completed and morale is now much better.

To reduce the overall morale and retention impact during reorganization, the entire OIG staff was informed of the reasons for the reorganization and of the offices to be either closed or merged. In an effort to make the immediate impact less severe the reorganization has been gradually implemented over a 2-year period.

Employees have been assured that all who are affected by the reorganization will be offered comparable positions in the newly created offices and in some instances opportunities for promotion have occurred. We have made a concerted effort to communicate with the staff regarding their placement desires and preferences, and have accommodated individual preferences and circumstances to the extent possible under workload requirements and available funds.

It is natural for employees who are facing change to be apprehensive. Most of our people, however, realize the important job we have to do and have been willing to work with us toward a successful reorganization.

PROMOTION OF GOOD MANAGEMENT

Senator Andrews: On the prevention side, what actions have you taken to promote good management and self-checking systems?

Response: Our audit recommendations routinely suggest actions for management to improve its operations and therefore realize increased economies and efficiencies. Audits also emphasize fraud prevention and detection as an integral adjunct of the audit process. All internal audits are designed to include an evaluation of the system of internal controls and an assessment of the extent the internal controls can be relied upon to ensure accurate information, compliance with laws and regulations, safeguarding of assets and the efficiency of operations.

We issue "Management Advisory Memoranda" to alert DOT management officials to potential fraud situations or opportunities for fraud. These memoranda result from research of past history of fraud cases or review of items of topical interest; they do not identify specific problems in DOT programs and operations. To date, two memoranda have been issued: (1) alerting DOT officials of the need, because of rising prices, to control and safeguard valuable metals, and (2) apprising DOT procurement personnel of indicators of fraud in the procurement process.

The DOT "hotline" provides DOT employees a means to report known or suspected situations of fraud or abuse; hence this is a self-checking device.

We make "vulnerability assessments" of DOT programs and operations to determine their inherent susceptibility to fraud or abuse.

We are working with the Department to issue an order regarding debarment of contractors who have perpetrated fraud or abuse in DOT operations.

Because of our increased coverage of DOT programs and operations, the OIG presence provides a deterrent effect.

All new legislation and regulations and selected existing ones are reviewed to assure that there are sufficient safeguards to prevent fraud or abuse and to assure their language is sufficiently clear as to facilitate prosecution for any violations.

BUDGET IMPACT

Senator Andrews: What impact do you anticipate that the Reagan budget will have on the Office of Inspector General?

Response: At the prescribed levels we will be able to provide minimal coverage of most activities mandated by the Inspector General Act. Through strict application of priority considerations, we will address the most significant audit and investigative matters involving fraud, waste and mismanagement potential. Some aspects of our work, particularly requests for grant and contract audits, will require more extensive use of outside audit services. Full implementation of OMB Circular A-102 may reduce our need for in-house resources for grant audits and permit additional internal audit work to help reduce our average audit cycle time.

COORDINATION OF AUDITS AND INVESTIGATIONS

Senator Andrews: Tell us in your own words how you coordinate the audit and investigations functions.

Response: Our investigators and auditors are collocated in Regional offices and there is a high degree of cooperation between the two disciplines. Specifically, many referrals of potential fraud are developed from audits and brought to the attention of the investigators for appropriate action. Since most of our major cases involve large grants or contracts, a close working relationship between auditors and investigators is essential. We also have specific procedures requiring coordination between the two disciplines. As an example, most of our bid-rigging cases have entailed the combined efforts of both auditors and investigators.

AUDIT RESPONSIBILITIES

Senator Andrews: Which responsibilities are left to the States, which to the DOT agencies, and which to the Inspector General?

Response: The States are responsible for maintaining an adequate financial management system providing accountability over all grant funds received (OMB Circular A-102, Attachment G). They are also responsible for obtaining organization-wide audits covering all grant funds (OMB Circular A-102, Attachment P) and for correcting weaknesses disclosed by audit.

DOT agencies are responsible for assuring that the States have an adequate financial management system and are obtaining required organization-wide audits of grant funds. They are also responsible for following up on audit findings and assuring that necessary corrective action is taken and audit findings are satisfactorily closed.

The OIG is responsible for providing audit coverage for all DOT programs, operations, grants and contracts including direct audits where appropriate and monitoring and reviewing the work of non-Federal auditors where such audits are required. The OIG is

responsible for maintaining a management information system which includes the results of all DOT audits and for assisting DOT agencies in reaching satisfactory solutions to audit findings.

In addition to the review of financial audits prescribed by grant documents and the Office of Management and Budget Circular, the Office of Inspector General is responsible under the Inspector General Act for performing audits and investigations of Departmental programs and operations. This requires the Office of Inspector General involvement with grant recipient operations as well as Departmental internal operations in order to determine if Departmental program results are being realized in an efficient and economical manner.

OFFICE OF INSPECTOR GENERAL NEEDS

Senator Andrews: In your view what more needs to be done to fully establish the Office of the Inspector General as envisioned by the Inspector General Act?

Response: We need to provide greater attention to internal audits to help reduce our average audit cycle. This would increase our coverage of areas that have inherent susceptibility to fraud or waste and our evaluations of the efficiency, economy and achievement of intended program results. Continued implementation of OMB Circular A-102 should reduce our in-house requirements for grant audits and allow greater attention to these internal audit areas.

Questions Submitted by Senator Chiles

DEBARMENT

Senator Chiles: In your last semi-annual report to the Congress, it was reported that officials of Ashland Warran, Inc., the REA Construction Company, and Central Contracting, Inc., were convicted on charges of bid-rigging. Officials of these companies were rigging their bids so as to share work being contracted for by the Richard C. Byrd International Airport, a FAA grantee. Have these companies been debarred from doing further work with either grantees of FAA or with FAA itself. If not, why not?

Response: None of these companies has been debarred by the Federal Aviation Administration since FAA does not have any procedures (administrative regulations) for debarment of contractors working on their grant programs.

DEBARMENT OF CONTRACTORS

Senator Chiles: Have these companies been debarred from doing work with the Federal Highway Administration and all other Department of Transportation agencies, and with the grantees of all transportation agencies? If not, why not?

Response: The REA Construction Company was debarred by the Federal Highway Administration from doing work on Federal Highway Administration projects for 3 years (18 months suspended), based upon conviction for bid-rigging on highway construction projects in North Carolina.

The Richmond Division, Ashland Warren, Inc., was debarred by the Federal Highway Administration from doing work on Federal Highway Administration projects for 30 months, based upon conviction in Virginia for bid-rigging in connection with highway construction projects.

Debarment of the above contractors by the Federal Highway Administration has no bearing on the status of these contractors with other DOT agencies.

Senator Chiles: Does the Department of Transportation cooperate with other major Federal agencies in debarring firms guilty of fraudulent activities with any particular Federal agency from doing business with the entire Federal government for a period of time? If not, why not?

Response: Except for Federal Highway Administration procedures, which are limited to Federal Highway Administration-funded grants, the Department of Transportation does not have a procedure for debarment of individuals and firms convicted of antitrust violations on Federally funded projects where the contract was negotiated with a non-Federal Government entity. The procedures for debarment, suspension or ineligibility in 41 CFR are available to all Executive agencies but only relate to debarment and ineligibility on direct constructing and procurement with the Federal Government. The Department of Transportation modal administrations do utilize the General Services Debarred List which is considered binding on the Department of Transportation.

Senator Chiles: Some have suggested that legislation is required to implement a comprehensive Government-wide debarment process. One of the mechanisms for such a system would be a legal requirement that in considering a private firm's offer to do business with the Government that the Federal contracting officer be required to solicit and obtain information regarding any past or present debarment such a firm may have received. In this way, all firms wishing to do business with the Government would be screened to determine if any of those firms are currently debarred from doing business with any other Federal agency. A subsequent requirement would be that if such a firm were debarred from doing business with any individual Federal agenacy, such debarment would be applied Government-wide. What is the Department's opinion with regard to the need for such a Government-wide legislative requirement?

Response: We do not know the Department's opinion with regard to the need for a Government-wide legislative requirement. The Office of Inspector General, as evidenced by our proposed regulation relative to grant programs, believes that uniformly, equitably applied and enforced debarment procedures can be an effective tool to detect and deter fraud against the Government by those contracting directly with the Government or with Federal grant recipients.

Senator Chiles: Please provide the subcommittee with language that could be considered to accomplish the objective of Government-wide debarment for any firm debarred from doing business with any single agency.

Response: The request for language to be considered in connection with Government-wide debarment legislation is being coordinated with the Office of General Counsel, Department of review was provided for the Committee's information and files.

Senator Chiles: What is the status of DOT-wide debarment regulations being drafted by OIG? When do you expect the regulation to be fully implemented? Is the OIG receiving adequate management support for this initiative?

Response: We have forwarded our draft of proposed Department-wide debarment regulations to the Office of General Counsel where it is under review, but cannot estimate when the regulation will be fully implemented. We are receiving Department support on this issue.

VULNERABILITY ASSESSMENTS

Senator Chiles: What agencies and programs did our vulnerability assessments cover? What are the areas of vulnerability?

Response: To date, we have completed eight vulnerability reviews. They covered programs and/or operations of the United States Coast Guard (USCG), the Federal Railroad Administration (FRA), and the Federal Highway Administration (FHWA). The programs reviewed and the overall conclusions are set forth below:

o FHWA: Bureau of Motor Carrier Safety (BMCS)--Our review, requested by a former Secretary, disclosed that BMCS has not been effective in promoting motor carrier compliance with Federal safety and hazardous material regulations. In addition, we noted internal and management control weaknesses which make the program highly susceptible to fraud and/or abuse. Several investigations were initiated during the review.

o USCG: Small Arms Repair Facility (SARF)--Our review disclosed that the storage, control, and accountability of small arms and related parts were inadequate.

o USCG: Control and Disposal of Valuable Metals--This review disclosed that the procedures and practices for accounting for and disposing of valuable metals were vulnerable for anyone associated with valuable metals to misappropriate them for personal gain.

o USCG: Control of Certain Medical Equipment--We found certain medical and dental instruments were not being properly accounted for or controlled. Opportunity existed for these items to be misappropriated since they were purchased in quantities bearing little relationship to need.

o USCG: Controlled Substances--While we found the overall administration, i.e., procurement, control, accountability and security, of controlled substances to be adequate, we did note the need for additional safeguards to further reduce the opportunities for fraud and/or abuse.

o FRA: Office of Rail Safety--Our review, which concentrated on the safety inspection and enforcement efforts of the Office of Safety, disclosed that procedural changes and increased safeguards are necessary to prevent fraud and/or abuse from occurring in this program. We also noted potential conflict-of-interest situations and the influence the railroad labor unions have on this program.

o FRA: Controls over Revenue Collection at the Alaska Railroad--Our review disclosed control deficiencies which provide opportunities to perpetrate frauds or other improprieties in the revenue collection areas reviewed. We also noted that control weaknesses make the Railroad's fuel stock vulnerable to theft.

o FRA: Minority Business Center--The allegations contained in a hotline referral, which initiated this review, were found to be generally without foundation. However, we did point out the need for FRA to closely monitor certain aspects of this operation, including the potential for conflicts of interest.

While the majority of our reviews to date have dealt with programs within the USCG and FRA, it should not be inferred that the programs of these agencies are any more vulnerable than those of the Department's other agencies. Rather, this imbalance occurred because several of the reviews were either requested by the management of the agencies involved or were initiated by hotline referrals.

To assure that our self-initiated vulnerability assessments are targeted at major DOT programs or operations, we have recently ranked all DOT programs and operations. Although we will continue to provide a balanced vulnerability assessment program (i.e., special requests, hotline referrals, and self-initiated), we will use this ranking to assure that our self-initiated efforts will enable us to provide opinions and conclusions about the vulnerability of major DOT programs and operations.

PROGRAM RECOMMENDATIONS

Seantor Chiles: Last year's conference report expressed some dissatisfaction with the semi-annual report to the Congress and requested that "these documents provide the Congress with specific program recommendations." As such a list is not included in the last report, please provide the committee with a list of program recommendations that can be used by the committee with regard to improving program efficiency and effectiveness.

Response: Our audits as shown in the semi-annual reports have been directed toward specific elements of programs rather than fraud reviews on a program-wide basis. This is partially due to the relative newness of the OIG and the current state or our operational development. We do plan in the future to expand our current audit activities to present audit recommendations on a more comprehensive program-wide basis. However, our semi-annual reports do contain some findings and recommendations that have broad program-wide application. These items are currently under review for resolution by the appropriate modal administrations.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee is now recessed.

[Whereupon, at 3:55 p.m., Tuesday, March 3, the subcommittee was recessed, to reconvene Thursday, March 5.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, MARCH 5, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m. in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Kasten, and Chiles.

DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

STATEMENT OF ADM. JOHN B. HAYES, COMMANDANT

ACCOMPANIED BY:
VICE ADM. ROBERT H. SCARBOROUGH, VICE COMMANDANT
REAR ADM. JAMES P. STEWART, CHIEF OF STAFF
CAPT. ROBERT E. LARSON, CHIEF, PROGRAMS DIVISION
CAPT. PAUL E. PAKOS, CHIEF, BUDGET DIVISION

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The committee will come to order.

This morning we're going to hear from the U.S. Coast Guard. And we are honored to have its Commandant Admiral Hayes with us today.

Admiral Hayes, if you would introduce those of your staff who are with you and proceed with your statement. You can highlight it if you want, to save time, and do questions afterward. I can assure you that your statement will appear in the record in total.

INTRODUCTION OF ASSOCIATES

Admiral HAYES. Thank you very much, Mr. Chairman. It's indeed a pleasure to be here with you this morning.

I have with me at the table this morning: my Vice Commandant, Vice Adm. Robert Scarborough; my Chief of Staff, Rear Adm. James P. Stewart, and my footnote is that he's been proposed for his third star and expects to move out to the Pacific this summer; the Chief of our Programs Division, Captain Larson; and the Chief of our Budget Division, Captain Pakos.

It is my privilege to appear before you again to present our request for Coast Guard appropriations for fiscal year 1982. As you indicated, Mr. Chairman, we are submitting the full statement for the record, and this will be an abbreviated statement.

In that statement I discuss our strategic objectives which I am pursuing in the management of the Coast Guard and how this budget request relates to those objectives. In my abbreviated statement this morning I will discuss only the highlights of our request.

OPERATING EXPENSES

The $1.411 billion which we are requesting in operating expenses is an increase of $72 million over 1981. A significant portion of that increase, $44 million, is associated solely with the increased cost of doing business. The remaining $28 million is aimed primarily at upgrading training, improving maintenance, and providing for improvements to the quality of life for Coast Guard personnel and their families.

ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS

The acquisition, construction, and improvements request of $375 million is $41 million over the 1981 appropriation. The majority of this request, $328 million, is associated with the ongoing multiyear acquisition of new vessels and aircraft. The remaining $47 million provides for improvements to shore facilities and navigational aids.

RESEARCH AND DEVELOPMENT

The research and development request of $30 million is $5 million over the 1981 level. Here I will place much emphasis on those R. & D. efforts that directly relate to needed improvements in Coast Guard operations and equipment which cannot be obtained elsewhere.

Major items in this request are to provide enhanced capabilities for the utilization and application of existing technological advances, such as the use of satellites, advanced marine vehicle design, and improved command and control systems.

RESERVE TRAINING

The Reserve training request of $51 million is an increase of $2 million over the 1981 level, including supplementals. As you are aware, the Coast Guard Reserve is unique because of its statutory requirement to augment regular forces during times of "serious natural or manmade disaster, accident, or catastrophe."

While the involvement of the Reserve was essential during the Cuban sealift, it was equally essential that training to meet mobilization requirements be maintained.

With regard to other items in our request, we are asking for $288 million for retired pay, $17.5 million for bridge alterations, and $1.5 million for our supply fund.

I firmly believe that the Coast Guard has a demonstrated ability to accomplish a myriad of assigned peacetime missions, while remaining fully ready to accomplish national defense objectives. It's the most cost effective bargain available to the American public today. This budget request, if approved, will contribute toward maintaining these capabilities.

Thank you, Mr. Chairman. I am now ready to answer questions.

Senator ANDREWS. I appreciate your appearance, Admiral.

RELATIONS WITH JOINT CHIEFS OF STAFF

We have talked in the past about the role of the Coast Guard, and I think it would be important to get into the record the relationships that you have with the Joint Chiefs of Staff and the Office of Joint Chiefs of Staff.

Admiral HAYES. Mr. Chairman, during the past couple of years we have been embarking upon an initiative which would specifically strengthen our ties with the U.S. Navy and, more broadly, with the Department of Defense and the other Armed Forces in general. Let me just give you a couple of specific examples of this, if I may, to highlight those relationships.

The Chief of Naval Operations, Admiral Hayward, and I have recently made a decision to reassess the wartime tasking of the Coast Guard conceptually. The reason for this joint decision was that we both agreed that substantial changes had occurred during the last decade in both the Coast Guard and, indeed, in the organization of the Navy and its tasking.

For example, the old sea frontier and naval district organization has pretty well been terminated, while at the same time the Coast Guard has been expanding its operations in the 200-mile coastal zone, if one wishes to describe it in that fashion.

Therefore, it seemed logical to reassess the relationship which we would have should a war or a national emergency occur. That study is nearly completed. And I can tell you, Mr. Chairman, although we don't have the final results, that clearly, from the initial results, it was a wise decision to do so, and I think it is going to result in a substantial strengthening of our relationships, both in peace and in war.

Senator ANDREWS. Have you made any change as a result of this?

Admiral HAYES. No, sir; but I expect that we most certainly will as a result of that study.

Senator ANDREWS. And the study, as it has been proceeding, has been, you think, indepth and accurate and to the point and most helpful?

Admiral HAYES. Very much so. My Vice Commandant along with the Vice Chief of Naval Operations have jointly chaired that study.

I might mention one other thing as another initiative. Because of recent exercises in which the Coast Guard has been involved along with the other Armed Forces, it has become clear that we have much to offer in contributing to planning with respect to the ports of this Nation and the backup of the Rapid Deployment Force.

We have, therefore, recommended that the Commandant of the Coast Guard be a member of the Joint Chiefs of Staff, at the call of the chairman and as a nonvoting member, I might add, and be ready to provide our expertise in those planning and emergency situations that lend themselves to use of Coast Guard expertise.

Senator ANDREWS. To facilitate the wise use of our harbor facilities at a time of such a transport emergency?

Admiral HAYES. Yes, sir.

CARIBBEAN ISLAND NATIONS

Senator ANDREWS. What is your present role in regard to the island nations in the Caribbean? More and more attention is focused in that area, and I would like to have you inform the committee what you think the potential is for enhancing our national interest in the Caribbean through Coast Guard activity.

Admiral HAYES. Again, Mr. Chairman, over the last couple of years the Coast Guard has been suggesting, and I believe that that suggestion has been received favorably by the Department of State, that our organization could be used perhaps a little bit more extensively as an instrument for national diplomacy.

I think that is true because, as one looks at those island nations and the nations around the Caribbean basin, each of those to one degree or another is establishing a 200-mile economic zone or a fishery zone, or zones of interest at any rate. And in order to carry out that nation's responsibilities with respect to law enforcement or marine environmental protection, search and rescue and similar functions, they find that the Coast Guard organization is a very attractive way to go.

So more and more they are looking to us for assistance in training and developing organizations, at least having some similarity to ours.

And finally, I think it is clear that, with the Coast Guard outside the Department of Defense, it offers this Nation a somewhat less provocative service to use in the national interest in that Caribbean basin.

REGULATORY FUNCTIONS

Senator ANDREWS. Actually, part of your presence in the Caribbean or close to the Caribbean is in your regulatory function of drug smuggling and the rest. We have been seeing on the news from time to time the success of your patrol actions.

Could you describe the growth of the Coast Guard's regulatory functions over the past decade and identify for the committee the percentage of Coast Guard resources allocated to these activities?

Admiral HAYES. Yes, sir; if I might, with respect to the latter, could I provide that for the record?

Senator ANDREWS. Surely.

[The information follows:]

The Coast Guard's regulatory and statutory responsibilities have, through the past decade, grown at a rapid pace. Over 25 major statutory enactments and executive initiatives such as the Federal Water Pollution Control Act, the Ports and Waterways Safety Act, the Port and Tanker Safety Act, the Federal Boating Safety Act, the Executive Initiative on Drug Law Enforcement, have required increased levels of effort in Coast Guard missions. Although more than 40 percent of our resources are devoted to these activities, additional resources are needed in the next few years if we are to continue to properly carry out these new responsibilities. The following data illustrate the growth in regulatory functions in the past decade, the proportion of resources assigned, and additional resources required:

Function	Percent increase 1970–80	Percent total CG resources allocated	Additional resources required
Vessel and port safety	48	11	$105,200,000
Drug enforcement	179	9.5	4,032,900,000
Marine environmental protection	94	7.5	331,600,000
Recreational boating safety	22	3.5	13,300,000
Fisheries conservation	23	9	1,005,600,000

NEW JOBS

Admiral HAYES. With respect to the former, I think I can exemplify it in a couple of ways, that is, exemplify the changes that have taken place over this past decade. As the chairman is aware, we had a number of laws passed by the Congress which have either expanded the Coast Guard's functions and responsibilities already being performed or have, indeed, provided us with new jobs.

Without going through the litany of those various acts of Congress, there have been about a dozen, Mr. Chairman, and for the most part they have added to our regulatory responsibilities.

I suppose the single example of one that was not in the regulatory area was the Fisheries Conservation and Management Act, which did indeed expand our responsibilities at sea.

Now, to exemplify what occurred during that decade, recognizing that the Coast Guard's military personnel strength averaged during that decade about 39,000 officers and enlisted persons, during that period of time we shifted about 4,000 of 11,000 billets that we had at the beginning of the decade at sea to regulatory kinds of functions ashore.

In other words, about one-ninth of the Coast Guard or 10 percent was shifted from the seagoing arena to the regulatory responsibilities. So it was quite a substantial shift in direction that occurred during that period of time.

I think it is fair to say that that pendulum is now beginning to swing back a bit in the other direction with respect to the emphasis of the present administration away from the strong regulatory role of Government and with the increase in activity that is occurring on the Continental Shelf.

ROLES AND MISSIONS

Senator ANDREWS. Could you provide for the record, so that the committee will have it at this point in the record, each of the various roles and missions of the Coast Guard, and include when each of these roles and missions became the responsibility of the Coast Guard.

In other words, you mentioned just a minute ago about the new responsibilities that had been given you by Congress. And I think that if we could put in the record when it occurred and what they were and perhaps what percentage of your manpower or resources each of these roles takes up, it might provide in one place a pretty good example of the additional burdens that have been put on you by legislative action.

Admiral HAYES. Yes, sir.

[The information follows:]

As indicated above, there has been a dramatic increase in the Coast Guard's regulatory functions in the past decade. The following information shows the major new

legislation, year of enactment, and proportion of Coast Guard personnel and funding allocated:

Mission/new legislation	Year enacted	Percent CG personnel	Percent CG funding
Port safety and security		5.1	4.8
Ports and Waterways Safety Act	1972		
Port and Tanker Safety Act	1978		
Law enforcement		19.2	18.2
Fisheries Conservation and Management Act	1976		
Commercial vessel safety		6.1	6.0
Amendments to Outer Continental Shelf Lands Act	1978		
Marine environmental protection		7.3	7.5
Amendments to Federal Water Pollution Control Act	1972		
Marine Protection, Research, and Sanctuaries Act	1972		
Deepwater Ports Act	1974		
National Environmental Policy Act	1971		
Recreational boating safety		3.6	3.5
Federal Boating Safety Act	1971		

ABILITY TO MEET RESPONSIBILITY

Senator ANDREWS. In view of the growth of the Coast Guard's roles and missions, how would you personally characterize the Coast Guard's ability to meet the responsibilities that it has today?

Admiral HAYES. I think the combination of functions that we currently have, Mr. Chairman, when viewed in their totality make a great deal of sense. For the most part, they are all directly related to the maritime transportation, maritime safety arena.

I suppose marine environmental protection is the only one that is not directly related to those things, and yet the potential polluters, if you will, are the same clientele that we are regulating in the safety arenas. So it made sense, it seems to me, to give the Coast Guard that responsibility as well.

I think the chairman is aware that we have been charged by the Congress this year to perform a Coast Guard roles and missions study for the Department of Transportation. They are undertaking that study. It is underway at the present time. And the charge is really to answer the very question that you pose to me this morning.

I think, without second-guessing the results of the study, that I can say that we obviously are stretched extremely thin with respect to resources available to carry out these several missions. What is interesting, though, is that when one examines the number of missions that the Coast Guard is performing, the number is not that much different from what it was in 1962, when the first Coast Guard roles and missions study was done. It's just that some have been discontinued and others have taken their place.

ROLES AND MISSIONS PRIORITY

Senator ANDREWS. Could you rank, probably for the record, each of these roles and missions in order of their priorities as you see it? And I know that that is a tough one, but in this kind of budget cutting it is one of those things that we have to look at.

Rank them in their order of priority or needing to be done at all, regardless of whether they remain your responsibility or some other organization. And then also tell us how you would rank them if we assumed that the Coast Guard will retain responsibility for each of them in an environment of extremely stringent fiscal restraints, which might require that some of them not be funded.

In other words, rather than our going in with a meat ax approach imposed on us by the Budget Committee, I would rather have some idea from you as to where these priorities ought to lie or where some programs might well be duplications, some programs might well be so in tangency with other programs that they could be absorbed by the others at some savings.

Admiral HAYES. I will be glad to do that, Mr. Chairman.

[The information follows:]

The most meaningful review of Coast Guard programs in a belt-tightening situation would address the level of performance of each program as well as whether they should be performed or not. The roles and mission study is currently reviewing that now and should present its finding to the Congress early in calendar year 1982. Any order of priority of the roles and missions of the Coast Guard should take into primary consideration their contribution to the national interests of the United States. Therefore, their ranking would be the same in a period of generous funding or one of extremely stringent fiscal restraints, although we have yet to experience the former situation. Pending completion of the roles and mission study, a tentative ranking of Coast Guard missions in peacetime would be headed by those directly involved with the safety of life and property, followed by those concerned with general facility safety, and last those of a regulatory nature. During wartime, military readiness and operations, and port security would move to the top of the list.

VARIATION IN PRIORITIES

Admiral HAYES. Could I just make sort of a general comment in response to this at the moment?

Senator ANDREWS. Surely.

Admiral HAYES. I would point out that one of the great difficulties that we have in responding to this kind of question is that obviously the priority of what the Coast Guard is doing varies from moment to moment, sometimes almost literally.

For example, clearly the safety of lives at any given moment in time I would think would come first in priority. But if a search and rescue incident is not going on at a particular moment in time, then it may be very definitely in the national interest that the Coast Guard is carrying out a drug interdiction program or responding to a major oil spill.

And I think the only point I want to make as an overview of this question is that certainly from the standpoint of the various interests of our Nation, the priorities do vary from time to time.

Senator ANDREWS. No doubt about that. As a matter of fact, the reason that the Coast Guard is there is to save lives. It's kind of like our Nation's fire department along our seacoast.

And the fantastic achievements of the Coast Guard have been that you don't need the firemen in the fire hall when there is not a fire, and you have been able to have them absorb missions to make use of that time and talent in a host of other ways where they can be helpful, recognizing that they may have to shift off point in this additional mission and go back to their basic mission at any given point in time when an emergency arises.

And I recognize that that is one of the things that makes it extremely difficult for you to outline a rank of priority, because you never know when something over which you have no control will totally change the demands on the resources of your service.

Let us assume for the moment that the restraints, the fiscal restraints today are not here, that we have an abundance of money and we can come out and look toward increasing funding over and above playing catchup or worrying about the inflationary spiral and all of that.

If that were the case, what is the Coast Guard now not doing that in your opinion it ought to be doing or ought to consider doing? In addressing this question, I guess you are going to have to divide your answer into external aspects, roles and missions, and of course internal aspects, such as administration and housing and so forth.

But we may well get some insight from you as to a mission that you could perform better, cheaper than some other function of the Government who is now performing it. And maybe we could transfer some of the assets there to you if you could do it, because of your position and your abilities.

What new roles, do you see? Please respond both orally and then for the record.

[The information follows:]

The question of what the Coast Guard ought to be doing is precisely the objective of the roles and missions study mentioned earlier. This interagency effort with representatives from the Coast Guard, Office of Secretary of Transportation, Office of Management and Budget, and Department of Defense is charged with a review of all present and possible missions for the U.S. Coast Guard. It will recommend those that should be eliminated, transferred, retained or added to the Coast Guard in the period 1983–2000. Anticipating some of the results of the study, in a less-stringent budget climate the Coast Guard, internally, would probably seek to upgrade the condition of the badly deteriorated capital plant, improve the quality of life for its people, and develop a better balance of functions that develop seagoing expertise in contrast with those that require that experience. Externally, the Coast Guard has been studying its wartime role with the Navy and might anticipate some increased role in national defense over the next few years. Other areas are being examined but it is still too early to make any projections until the study is completed.

EXPERTISE AT SEA

Admiral HAYES. I think my principal objective right now, Mr. Chairman, were there to be that nirvana of no budget limitations, would be to restore the balance between those functions that we have that provide expertise at sea, in other words the seagoing aviation, boat operations part of the Coast Guard, in contrast to the regulatory functions.

As I mentioned a while ago, there has been a very substantial swing away from those functions that provide the very expertise that you need to carry out that regulatory assignment. And I think that to have a better balanced organization, there needs to be a move toward greater capabilities at sea.

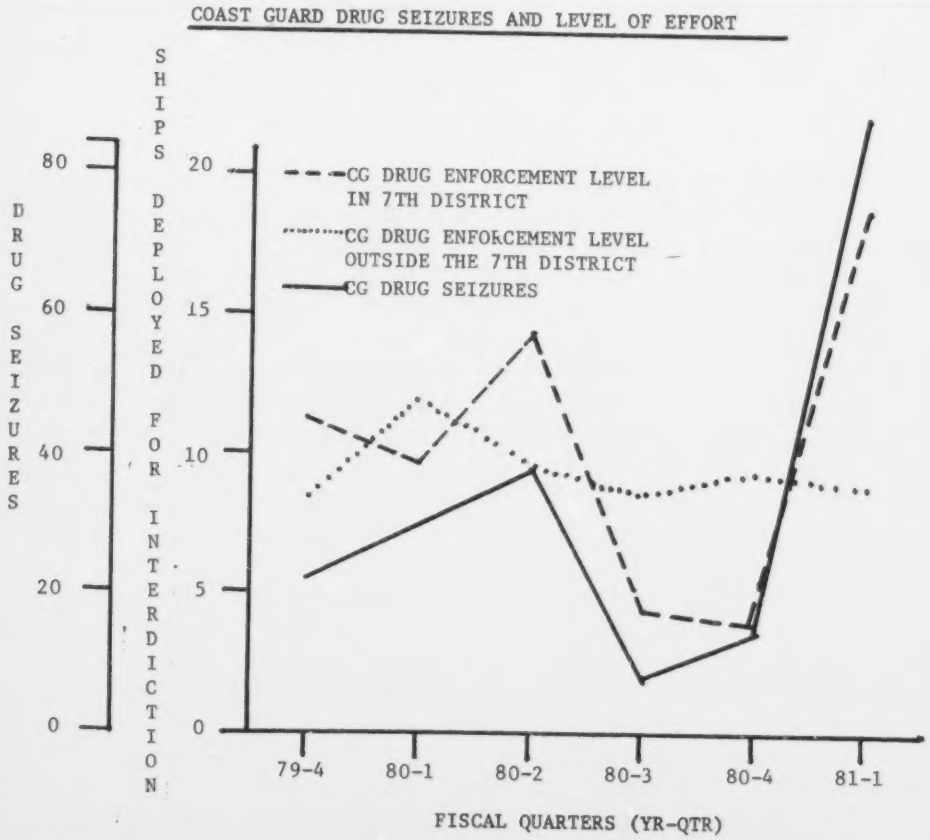
To give you an example of that kind of thing, we discovered recently what could happen with greater effort at sea. When we stood down from the Cuban refugee operations we had about $1 billion in Coast Guard capital plant, at today's replacement costs, that was devoted to that refugee operation. That was ships, aircraft, and boats. And because the President at that time did not want the Coast Guard to stand down completely from readiness to respond, should the sealift begin again, we retained that entire capital plant in the Florida area and devoted it to drug interdiction.

And we can provide this committee for the record a graph which gives an amazing demonstration of the parallel between effort and results that took place during that period of time.

Senator ANDREWS. That would be most helpful, if you would.

Admiral HAYES. We will provide that for the record. And I certainly will expand more upon what I have just said.

[The information follows:]



With the limited number of resources available to the Coast Guard, and other missions assigned to these same resources, the Coast Guard has been able to attain in fiscal year 1981 approximately 140,000 vessel-hours and 10,000 aircraft-hours of drug interdiction patrols. The worknorses of our fleet are the medium endurance cutters (WMEC's) which are deployed to the choke points, run offshore patrols along the remainder of our coasts, and are multimission tasked as well. Unfortunately mission, maintenance, and training constraints have resulted in our ability to occupy the choke points less than 18 percent of the time.

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Based on National Narcotics Intelligence Consumer Committee—NNICC—statistics, the Coast Guard estimates it is seizing an average of 15 to 20 percent of the marihuana smuggled by sea, although in the first quarter of fiscal year 1981 we may have seized as much as 32 percent of the traffic. The increase was due to the large concentration of our forces off the Southeastern United States which were there on Cuban operations standby. During this time period we were able to more than double our forces in the overall Caribbean. The results of this massive effort show that a direct correlation exists between the number of Coast Guard enforcement resources in the Southeast and the resultant number of vessel seizures as graphically displayed above. Unfortunately the reverse is also true as shown by the final two quarters of fiscal year 1980 when Coast Guard resources were heavily committed to the Cuban sealift operation and unavailable for drug interdiction.

The graph indicates that the Coast Guard could greatly improve interdiction effectiveness with additional vessels.

LIMITED RESOURCE EFFORTS

Admiral HAYES. I think other areas include both the diplomatic arena, which I have already mentioned as an initiative that we have undertaken, with only very limited resource efforts, and also this effort with the Navy which we see can be expanded as a result of the recent study. These are a couple of other areas that certainly we could apply additional resources to.

270-FOOT MEDIUM ENDURANCE CUTTERS

Senator ANDREWS. Admiral, would you tell us orally and then provide additional detail for the record, the series of events relating to the contract termination of award for the construction of nine 270-foot medium endurance cutters?

Admiral HAYES. I would be glad to describe that briefly for you and go into any further detail that you might like.

Basically, when the contract was awarded last summer it was awarded to a particular bidder on the basis of two things: responsiveness and responsibility. The responsiveness issue deals with whether or not the individual contractor had met the terms of the contract in his bid. And the responsbility issue deals with the question of whether the contractor is financially and otherwise, through good management and so on, able to meet the terms of the contract.

The first award that we made we based very candidly, Mr. Chairman, on our assessment of decisions that had been made in prior years in similar situations. And that is that certain paragraphs in that contract had not been met with respect to the length of time that the bid would remain in effect.

Whether or not the result was good or bad, I will not argue the merits of that. Nevertheless, our decision was reviewed by GAO at the request of the court when we were taken to court on the issue by the low bidders. Our decision was overturned by the judge.

In effect, then, that brought us to the second question, having to do with the low bidder, as to whether or not he also was a responsible bidder. The results of that evaluation, when provided to our contracting officer, were that indeed the low bidder was determined to be responsible as well as responsive at that juncture.

Having made that determination, we awarded the contract and were once again taken to court, by the yard to whom we had first awarded

the contract, on the basis that, in their judgment, our decision with respect to responsibility was an incorrect one. That is before Judge Boyle at the present time in the State of Rhode Island.

The arguments have been heard and the court is now in adjournment to make their decision.

Senator ANDREWS. What administrative and procedural actions have you taken to prevent a recurrence of this sort of problem?

Admiral HAYES. Well, most certainly, with respect to the invitations for bids, Mr. Chairman, we have made absolutely certain that we do not have that kind of questionable part of the contract having to do with this issue. And I would hope that that never happens again.

It was a very unfortunate thing, and as you can well imagine, the last thing I wanted to do was to make an award other than to the low bidder.

FEDERAL BOAT SAFETY ACT

Senator ANDREWS. Admiral, the Federal Boating and Safety Act has expired. Do you intend to support a renewal of this legislation?

Admiral HAYES. I believe you are referring to the grant portion of that act.

Senator ANDREWS. That's right.

Admiral HAYES. It's not my intention to support any further restoration of that particular provision of the Federal Boat Safety Act, particularly in the light of the Biaggi bill that was passed by the last Congress, which in effect makes a provision for the return of certain of the fuel tax moneys to the States for purposes of improving facilities as well as improving their boating safety programs.

Senator ANDREWS. What use would you intend to make of the $20 million in the collections that are now in the fund?

Admiral HAYES. To make clear our part in the action, Mr. Chairman, I would certainly intend to have minimal Coast Guard involvement, other than to do as the law directs should appropriations be made, and that is to get the money to the States in the most expeditious, simplest fashion that we can, so that they can use it for good purpose.

DRUG INTERDICTION

Senator ANDREWS. In regard to the interdiction of narcotics, is the cost effectiveness of the Coast Guard's activities in this field greater than that of shoreline enforcement?

Admiral HAYES. I guess I am not too clear, Mr. Chairman.

Senator ANDREWS. Well, would it be cheaper to set up some type of an intelligence network and patrol the land-based area and make sure they do not land in there, and catch them after they come ashore rather than catching them out on the ocean?

Which is most cost effective? I am throwing you a soft slowball, I think.

Admiral HAYES. Well, I understand that very well, Mr. Chairman. It's a thoughtful question and that is why I am pausing before I answer.

OK, let me approach it from this standpoint. We have, in analyzing our operational approach, which incidentally includes, Mr. Chairman, some of precisely what you are describing, we have very close relation-

ships with the Drug Enforcement Administration and with U.S. Customs, who are the shoreside people who carry out the responsibilities in that arena.

But I would point out that if we can find the mother ship before it disperses its cargo into a large number of smaller vessels, that can then scatter and come into the United States from a number of different points, it makes our job an awful lot easier.

As I think you are well aware, the coastline of this country of ours has so many indentations and little bays and creeks and rivers that it would require a huge force of people on the shoreside to try to deal with the problem effectively. Intelligence clearly is the principal focal point for that kind of shoreside operation, and that is advance knowledge that a particular landing is going to occur at a particular location.

So our best judgment has been that the most cost effective use of assets is to try to get the mother ship, which has the bulk of the cargo on board, before it is disseminated to a variety of smaller vessels.

Senator ANDREWS. In other words, your unique capability is giving to the Department of Justice a far better way of apprehending this material coming in than they could ever possibly achieve by putting a whole host of agents on the ground trying to pick it up spot by spot as it came in.

Admiral HAYES. Surely, because people are very expensive. And also, the difficulty of learning ahead of time where it is likely to occur still remains very substantial.

Senator ANDREWS. And this is one of the best examples of cooperation between agencies and using the unique capability of one agency to enhance an operation that Congress charges another agency to do.

Admiral HAYES. Precisely so, Mr. Chairman. I might footnote what you just said. One of the things that I have to confess gave me great surprise when I arrived in my present job almost 3 years ago was the very fact of cooperation that was existing at the Washington level, as well as out in the field.

A drug principals group was in place which consisted of the heads of agencies involved in the whole drug problem, not just from the enforcement standpoint but with respect to drug education and trying to do something about it at the supply end, which of course is the Department of State. I was truly impressed by the cooperation that was going on at the Washington level, and because of that each of us were directing our people in the field similarly to work together out there.

I am not suggesting that there are not occasional turf battles, because people are human. But I do think that in this area it has been minimized.

USER FEES

Senator ANDREWS. On another subject, we have a lot of comment now in the administration about user fees. What Coast Guard activities might user charges be reasonably imposed where they are not at the present time? And would you touch briefly and expand in the record on the advantages and difficulties related to each of these potential user charges?

Admiral HAYES. Surely. President Reagan's general economic program which will be transmitted to the Congress shortly will include a user charge package associated with Coast Guard services.

The facts that I am permitted to provide the committee at this time, because of course the legislation is still under preparation, are that the objective is in 1982 to attain an income level of about $100 million in miscellaneous receipts in the Treasury, and increase that by 1986 to about $500 million.

We have developed now a draft package which is currently being reviewed by the administration. And generally, we are trying to approach it in two broad conceptual ways: One, to minimize the bureaucratic administrative kind of problem with respect to collection and identification of the fee itself; and second, to assure that we apply it as broadly as possible across all the user groups that we are serving.

As I expect you can well imagine, it is quite a substantial problem to deal with, because there are in place in the law today a number of specific statutory prohibitions with respect to the assessment of user charges. We are dealing with that in our proposal.

Senator ANDREWS. Well, you are then telling us that these could be applied across the board? There could be fees charged to the people who maintain the port facilities for your part in making it functional, fees applied for the vessels coming into the port who use the port for your services, a fee probably on a tonnage basis?

Admiral HAYES. Precisely, Mr. Chairman.

Senator ANDREWS. These would be fees for the pleasure boater, fees to take care of the lights and buoys that you've got out there.

Are you trying to make it as broad as possible, across the whole spectrum?

Admiral HAYES. Yes; and we are trying to avoid what I think is a pitfall, Mr. Chairman, in relating a specific charge to a specific event. We see all that, that it would not only become a bureaucratic nightmare, but it would be very, very difficult to assess and, with respect to search and rescue, probably poor policy because it would tend to encourage people not to call on us for help and then an hour later, with a line squall coming across, we have a major search and rescue problem on our hands. We don't want to see that happen.

Senator ANDREWS. I can understand why you would not charge a fee for that. Certainly the others are a possibility. And if you could expand on that for the record, we would look forward to seeing what the delineating aspect of that is.

[The information follows:]

The proposed legislation would not apply user charges on an individual program basis. The multimission nature of Coast Guard resources, many of which support several activities, makes it impractical to charge for specific programs or services. Tonnage and license fees are proposed to recover a portion of services such as search and rescue, aids to navigation, domestic icebreaking, marine environmental protection, waterways management, and others. There are exceptions where a direct user charge is applicable, such as inspections of vessels, offshore and waterfront facilities, the documentation and admeasurement of vessels, and the licensing and certification of officers and seamen.

The major advantages of this system of user charges are the administrative simplicity of collection and the equitable nature of the distribution of fees to all users of Coast Guard services. A disadvantage, particularly with respect to the user decal, is that an individual user of the navigable waters of the United States may not see readily the direct relationship between his cost and his receipt of services. A potential disadvantage is the fact that the revenues expected to be generated by any segment of the user fees are based on projections and are subject to changes as the actual collections are made

and compared to the funding objectives of the legislation. Because of this, the initial funding objective is only $100 million with the ability to adjust charges in order to meet the final objective of $500 million in 1986.

Although the tonnage fee collection mechanism appears simple in concept, there are a few special cases which may be complicated. We are working to resolve any problems.

SHORE FACILITY EVALUATION STANDARDS

Admiral HAYES. I might add that I hope I have not given you a wrong impression, Mr. Chairman, but there are certain areas, such as the inspections that we perform, the kinds of things that can be specifically identified as a service at a particular time, that are not operationally related, for which we are developing certain charges.

Senator ANDREWS. Now, what actions are you taking to establish and issue standard criteria for evaluating shore facilities on a regular periodic basis?

Admiral HAYES. As you are probably aware, Mr. Chairman, we were castigated a bit by the General Accounting Office with respect to the lack of such standards. We have now developed adequacy standards for about 45 percent of our current capital investment in real property. We have developed standards for buildings and expect to complete those that we do not have in place as of yet by 1984.

As you can imagine, it is quite a substantial undertaking and will take some time. We have entitled it, as the Government loves to do, facility adequacy standards technique acronymed FAST.

Senator ANDREWS. You must have grown up in the 1930's, Admiral. That's New Deal alphabetese at its best.

Admiral HAYES. Is that not awful?

Well, at any rate, despite the acronym, I think it is a good system and responds directly to the charge placed on the Coast Guard.

Senator ANDREWS. And you're going to begin to have that down in cold hard facts?

Admiral HAYES. Yes, sir; in fact, I would expect that as the 1983 budget comes into place and subsequent budgets come into place, we will be able generally to tell you how that particular unit scored with respect to its adequacy standards.

COST EFFECTIVENESS

Senator ANDREWS. Admiral, how has the Coast Guard attempted to quantify in specific dollar terms? We have a problem when you take any of these appropriations packages to the floor, soliciting support from the rest of our colleagues.

Obviously, the product of this committee is the product of all the members of this committee. But we have the opportunity of listening to you and, probably because it is within our purview, we take a deeper interest in it. But we are trying to build a record to support your funding on the floor.

How has the Coast Guard attempted to set up these benefits derived from its nonmilitary operations? For instance, are the costs you incur in your search and rescue and oil spill operations offset by resulting savings to the general public? And do you have any basis for quantifying such benefits that you can give to us orally now and expand on in the record?

[The information follows:]

VALUE OF COAST GUARD SERVICES TO THE NATION

The value of Coast Guard services to the American public was computed from operational and management data reported by Coast Guard units and Program Managers. Actual figures from these reports are listed for categories of property rescued, contraband interdicted, and lives saved. With respect to the latter, we are reluctant to place any definitive value on what is essentially a priceless commodity and there is no accepted agreement on such values, but some estimate is called for in order to quantify Coast Guard benefits. Estimates of the value of our services to other beneficiaries are based on the size of the clientele population and our existing programs and facilities. The calculations were made as follows:

Direct Benefits:

- o 4700 lives saved — $ 1.9B
- o Property loss prevented — 1.3B
- o Drugs interdicted — 1.6B

Indirect Benefits:

- o 178,000 persons assisted (SAR) — $70B
  Value of property assisted (SAR) — 7B
  $77B

  Assume 2% would have been lost if timely assistance had not been rendered — $ 1.5B

- o Annual value of cargo entering and leaving U. S. Ports: $200B

  Assume 0.5% would have been lost if commercial vessel safety program was not in place. — $ 1.0B

- o Visual aids to navigation: 26,000 miles of waterways marked:

  Assume $100K damage per mile would occur with no markings. — $ 2.6B

- o Radio aids to navigation: 20 million square miles of coverage yield benefits of safety and efficiency in point to point navigation.

  Assume benefit of $100 per square mile. — $ 2.0B

- o Non-quantifiable benefits (fisheries law enforcement, domestic icebreaking, polar icebreaking, recreational boating safety, marine science, port security, bridge administration, oil pollution detection and removal, military readiness). — $ 4.0B

Total $15.9B

TAXPAYER RETURNS

Admiral HAYES. Yes, indeed. Obviously, it is one of those very attractive things that we would like to be able to tell the Congress that a dollar invested in the Coast Guard is going to return so much to the taxpayer.

Senator ANDREWS. If the Corps of Engineers does something, we set it out in a cost-benefit ratio. I guess what I am trying to do is see if you can establish a cost-benefit ratio for your agency.

Admiral HAYES. We have indeed done that, Mr. Chairman, in each of our various program areas, with varying degrees of success. In search and rescue, we can tell you pretty precisely what the return on investment is and we can give you a cost-benefit ratio. And of course, it is very favorable, because this past year, for example, the saving in property alone was about the equal of our total budget for that particular year. And that is, of course, just in the one program area.

Now, the general answer to your question is that, to the best we have been able to figure it out right now, that for about a $2.1 billion level that we have at the present time, our return on that investment is something between $15 and $17 billion. So we feel that we are still not at the point yet where a dollar invested in the Coast Guard is going to have minimal return.

I can elaborate upon that for the record.

Senator ANDREWS. I wish you would for the record. Otherwise, someone is going to say he just picked a figure out of the sky.

Admiral HAYES. Well, we did not, of course.

Senator ANDREWS. I am aware of that. But the figure that you just gave the committee orally is the figure we are looking for, and if we can flush it out then we will have the evidence that we need when we go to the floor.

SUBMITTED QUESTIONS

I have a series of questions that I will submit for the record and let you answer for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

Senator Andrews: It is our understanding that President Reagan is proposing a package of user fees to be gradually phased-in over four years and to eventually cover a great proportion of Coast Guard costs. In 1982, charges would be levied against all administrative services and a system of annual fees would be instituted to cover the cost of indirect services. To what extent will enforcement of the new fees add to your workload and costs?

Response: Under the proposed legislation, we envision little additional workload or costs involved in the enforcement process. No new organizational structure will be needed to carry out the administration, accounting or enforcement of these fees. The penalties included in the proposed legislation are expected to be sufficient to deter most violations. The actual workload and costs of implementing proposed user fees is still being examined.

The proposed user fee mechanisms take advantage of existing arrangements. U.S. user decals, which will apply to recreational boats, fishing vessels and other uninspected vessels using the navigable waters of the United States, will be available through the U.S. Postal Service. The administration of the tonnage fee, which applies to certain foreign and inspected U.S. vessels, will be performed primarily through the District Director of Customs. A few additional personnel may be needed to support some of the larger Coast Guard offices in order to collect fees related to direct services such as vessel inspections. In addition, the need to train existing enforcement personnel for this additional duty may require a modest increase in resources. Therefore, although we have designed the administration of this fee mechanism to minimize additional resource requirements, we must acquire some experience before estimating what the additional workload may entail.

Senator Andrews: A GAO report released in April of last year suggests the transfer to private industry of some of your missions. Which of your missions are transferrable to private industry and what are your recommendations in response to this proposal?

Response: Your question is the subject of an ongoing study of the Coast Guard's Roles and Missions conducted jointly by the Coast Guard, the Department of Transportation, and Office of Management and Budget. It would be premature of me to address those issues until that study is completed.

Senator Andrews: Provide a table for the record showing the value of the Coast Guard's capital assets broken down into the categories of vessels, aircraft, shore and electronics. Include your FY 1982 request for the replacement of these assets by category.

Response: The table is provided below:

Category	Value of assets (FY81 replacement cost in millions)	FY82 Request (in millions)
Vessels	$ 6,100	$182
Aircraft	$ 1,100	$146
Shore	$ 3,300	$ 41
Electronics	$ 300	$ 6
Total	$10,800	$375

Senator Andrews: If possible, we would like you to provide similar tables for the U.S. Navy and the Federal Aviation Administration so that the committee might see how the Coast Guard compares with these other federal organizations.

Response: Neither the U. S. Navy nor the Federal Aviation Administration had data on capital plant replacement cost readily available which would permit a realistic comparison with the Coast Guard data.

Senator Andrews: With regard to your marine safety workload data, what is the reason for the sharp drop in fixed offshore structures inspected during fiscal year 1981?

Response: The Outer Continental Shelf Lands Act Amendments of 1978 requires that the Coast Guard inspect all Outer Continental Shelf facilities at least once each year. With available resources in FY 1979 and FY 1980, we concentrated on inspecting every platform at least once. There are about 2,800 facilities requiring inspection. We received 60 billets in the FY 1980 budget to implement the amendments. However, those billets and operating expenses were diverted to cover the FY 1981 budget cuts. This year, with the same resources as before, we are concentrating primarily on the 580 manned platforms and in addition, 150 mobile drilling units which are highly complex and much more time-consuming.

Senator Andrews: With regard to your workload under the enforcement of laws and treaties, the division of your cutter operating hours between fisheries and general law enforcement was 20 percent in fiscal 1980 and 38 percent estimated for fiscal 1982. Similarly, you show aircraft flight hours for fisheries enforcement increasing from 28 percent of the total for 1980 to an estimated 48 percent for 1982. What is the reason for this apparent shift in emphasis away from general law enforcement toward fisheries enforcement?

Response: The actual workload data for Fiscal Year (FY) 1980 is not an accurate baseline for comparison of emphasis given to fisheries versus general law enforcement. FY 1980 was unique due to the impact of the Cuban Operation. The levels of effort for both fisheries and drug enforcement significantly declined but the decline in drug enforcement was replaced by the explosion in illegal immigration operations. However, we include illegal immigration operations under the general law enforcement category, thus there was a very large increase in this category even though drug enforcement actually declined. The estimated workload data for 1982 are approximately equal to the level of effort expended in FY 1979 when fisheries constituted approximately 31 percent of total Enforcement of Law and Treaties (ELT) cutter hours and 44 percent of total ELT aircraft hours. The reduced estimates in FY 1981 are due to the reduced level of operations necessitated by the

need to make up for maintenance and training lost during the Cuban Operation.

Senator Andrews: What success have you had in reducing your personnel retention problems?

Response: Statistics for the first six months of FY '81 do show an increase in retention for all categories of enlisted personnel over the same period in FY '80. Recent legislative benefits for the military, personnel policy changes within the service, and perceived future benefits have obviously made an impact on our people. I am anxious to see how our enlisted retention fares through the remainder of the year. I believe, however, that it is a little too early to reach any definite conclusions. We must continue our increase in our enlisted retention and sustain a higher level of retention if we are to make up for the personnel losses we've experienced over the past four years.

Senator Andrews: Please explain your request of $2,000,000 to lease a vessel for your Outer Continental Shelf enforcement activities. What benefits do you anticipate from this and what might be the impact on your future budget requirements if this approach proves successful?

Response: The Coast Guard has requirements for a vessel to carry out Environmental and Safety Program missions on the Outer Continental Shelf. These needs, resulting from the Port and Tanker Safety Act, the Clean Water Act, Amendments of 1977, and the OCSLAA, 1978, include mainly surveillance, investigation and cleanup of oil spills and enforcement of proposed regulations governing vessel-to-vessel cargo lightering operations, as well as other tasks such as firefighting and safety inspections. The sum requested is expected to cover part year costs of leasing from a commerical source, an offshore supply vessel (a type commonly used by the oil industry to service platforms). Fuel, maintenance and other operating expenses, but not personnel costs, are included in the estimate. Ultimately, the ship's specific characteristics and mission capabilities for us will be somewhat dictated by what is available on the charter market within the sum appropriated. The benefits derived will depend on the nature and number of emergency, as well as routine tasks the unit undertakes while underway. Because this type ship is built to handle towing and transfer of heavy equipment at sea, we will obtain a unique capability within the Coast Guard to deploy open water pollution response gear under adverse sea conditions. Prior experience with the Mexican's IXTOC I blowout and similar cases demonstrated that there is a need for this, not readily available on demand in the commercial pollution response community. A good sea keeping capability will permit extended monitoring and inspection of vessel to vessel oil lightering activities, with the aim of reducing oil spills and increasing the level of safety in the Gulf's sea lanes and oil rigs. Finally, and not least important, this affords an opportunity to evaluate the flexibility inherent in leasing as a ship acquisition strategy. Therefore, the experience gained from this lease regarding the contracting, crewing, maintenance, and cost effectiveness of leased vessels will help determine suitability of leasing to fill future vessel requirements and the impact on future budgets.

Senator Andrews: Please explain your request to establish a program to pay a commissioning bonus of up to $10,000 to certain officers as an incentive. What have you budgeted for this program? What other bonus or incentive programs are included in your budget and what are the total amounts requested?

Response: In the last three fiscal years, despite vigorous, targeted officer recruiting efforts, only thirty-eight percent of the desired number of college graduates with engineering, business, and computer science degrees have been recruited into the officer corps. In addition, only thirty-eight percent of the desired number of maritime academy graduates have been commissioned during this same period. Further, the recruiting rate for officers from minority groups has been substantially less than the percentage of minorities in both the general population and among graduating college seniors. The proposed bonus is intended to entice those college graduates of the most needed types into the Coast Guard. The bonus program will go far toward eliminating our current officer corps deficiencies.

The amount budgeted to support this program in fiscal year 1982 is $380 thousand and would provide a bonus up to $10,000 to maritime academy and Officer Candidate School graduates needed to offset existing deficiencies.

Another proposed incentive program will pay $100 per month subsistence allowance to selected college juniors and seniors who join the Coast Guard Reserve and commit themselves to Officer Candidate School upon graduation. This program is budgeted at $34 thousand in fiscal year 1982 and will provide the subsistence allowance to approximately fifty percent of future Officer Candidate School students. This will allow the Coast Guard to operate a program paralleling the Marine Corps Platoon Leader Program.

The total amount requested in the fiscal year 1982 budget to support both incentive programs is $414 thousand.

Senator Andrews: Your budget request includes $2 million to conduct technical and operational evaluations and analyses of Advanced Marine Vehicles. What sort of "vehicles" are these and how many would you test?

Response: We are interested in the SWATH (Small Waterplane Area Twin Hull) concept and plan to investigate it in depth. Additionally, we are examining the Surface Effect Ship (SES) concept and plan a near-term field evaluation in the Gulf of Mexico and Straits of Florida. Another concept of interest is a larger improved version of a low cost diesel-powered hydrofoil of a type which has been successful in ferry service for many years. If funds permit, we will investigate/evaluate small craft concepts such as ACV's as ship's boats and for use on ice, icy waters, and mud flats. We plan to test a small, privately developed SWATH vessel in FY81, evaluate a 110 foot SES for six months beginning in FY81, conduct performance tests of a diesel hydrofoil in late FY81 - early FY82, with a field evaluation if the trials are deemed satisfactory.

Senator Andrews: Are these entirely new "vehicles"?

Response: These advanced concepts are not necessarily new, i.e., the first SWATH was built in 1973, the first Hydrofoil in 1896 (first fully submerged hydrofoil in 1950's), first Surface Effect Ship

(SES) in 1960's. What is new is that the effectiveness and reliability of these concepts has been proven in many uses world-wide, and may be adaptable to Coast Guard needs.

Senator Andrews: Have they ever been tested by anyone before?

Response: All of the vehicles in question have been tested before. We avoid duplicating test efforts conducted by others where there is no reason to doubt the credibility of the results. We generally avoid accepting manufacturers claims and seek to verify their data through analysis and, where appropriate, testing. Our evaluations are mission specific and bear little in common with those the Navy conducts for their mission applications.

Senator Andrews: Do you plan to buy any within the next few years?

Response: Funding levels have not permitted us to develop or purchase any hardware. The testing programs will be carried out by leasing vehicles instead of purchasing them.

Senator Andrews: What on-going procurements might these hovercraft and hydroplanes soon replace?

Response: We do not expect advanced vehicles to impact any of our on-going procurements. The project will provide a knowledge base to allow consideration of advanced vehicles in future fleet replacement decisions, including the patrol boat (WPB) replacement contemplated near the end of the decade.

Senator Andrews: Specifically, how are you planning to spend another $2 million on the design, computer modeling, and sub-scale demonstration of a "lighter-than-air" vehicle?

Response:The funds will be used to complete the design of a sub-scale flight demonstration vehicle, verify the performance of this vehicle using a NASA developed computer program, lease a sub-scale demonstration vehicle for test and evaluation, and analyze the measured performance of the sub-scale vehicle to relate it to a full scale design.

Senator Andrews: Has such a vehicle ever been constructed before?

Response:To our knowledge, such a sub-scale demonstration vehicle has never been constructed before. Some Lighter-Than-Air development programs have proceeded directly from wind tunnel model tests to development of a full-scale vehicle, however, most programs begin with development of a full-scale vehicle. The intent of the Coast Guard program is to obtain much of the needed information without incurring the cost of developing a full-scale vehicle.

Senator Andrews: What use would you make of it?

Response:The sub-scale demonstration vehicle would be leased for test and evaluation. Based upon this measured performance, the expected performance of a full-scale vehicle will be predicted. The ultimate objective is to determine if modern technology lighter-than-air vehicles are operationally suitable and cost-effective for performance of Coast Guard missions.

Senator Andrews: Might such a vehicle replace some of your programmed helicopter procurements?

Response:While this could be a possibility, it is definitely premature to make such a projection. Even though lighter-than-air vehicles are fuel efficient platforms, the performance and limitations of these vehicles has not yet been demonstrated in Coast Guard operational environments. Indeed, the purpose of the project is to make such a determination. Once the operational capabilities of lighter-than-air vehicles have been determined, they can be evaluated as potential replacements for existing Coast Guard resources. It is unlikely that these questions will be answered prior to fiscal year 1984, and it could be 1990 before we are ready to say that these vehicles could be used as replacements for some of our helicopter fleet.

Senator Andrews: What is the current projected FY 81 unobligated balance resulting from the delayed procurement of 270 foot cutters?

Response: The delay in commencing work on the 270 foot cutters has so far not affected the obligation schedule upon which the FY 82 budget is based. The funds for the contract cost of ships five through ten have been obligated. At this point we still project a deficit of $13,625,000 at the end of FY 81.

Senator Andrews: You have requested a reprogramming of fiscal 1981 funds to support your medium range surveillance and short range recovery flight training systems. In essence, the funds you requested for two aircraft simulators amounted to only half of the price submitted by the bidder. There was only one bidder. This raises several serious questions: first, why was your estimate so drastically low? Does this reflect a possible systemic problem in your procedure for arriving at cost estimates?

Response:The funds for the HU-25A and HH-65A flight simulators were requested in budget documents drafted in CY 1977. We had hoped that the contract for the flight simulators could be awarded in FY 79 so that they would be available for initial training in summer of '81 and '82 (respectively). This deadline was missed because of several reasons, including: Engine certification problems on the HU-25A which created uncertainty in its delivery date (and hence the date a simulator would be required), a determination on the applicability or non-applicability of the revised OMB Circular No. A-76, delays inherent in the procurement process and delays caused by the revised costs exceeding our budgeted funds. Had we been able to award a contract in FY '79, our available funds would have obviously been closer to those required. During these delays, the costs for these devices have steadily risen. The two flight simulators that we procured in 1974 for $3.1M would cost us $13.6M today according to cost estimates in "The U.S. Military & Aerospace Trainer & Simulator Market"-a Frost & Sullivan publication produced in November of

last year. The unforecast cost increases (due to inflation and other factors) and the delays in contract award combined to put us in our present situation.

Obviously cost overruns of this proportion cannot be accepted if the Coast Guard is to be able to properly budget for the future. In this case, however, I don't think that our cost prediction system is totally at fault. The delays we encountered were not foreseeable and thus not an indication of system myopia.

Senator Andrews: Why was there only one bidder? Might the bid have been high because the bidder knew he was the only party interested in offering a bid?

Response: In August 1979 the Coast Guard released for industry review, the draft performance specifications for both the HU-25A and the HH-65A Flight Training Systems. Following a review period we met separately with five (all interested) potential simulator manufacturers to receive and discuss their comments relative to the specifications. In early 1980 the final solicitation was released as Step One of a Two-Step Formally Advertised procurement. Fifteen companies requested and received the solicitation but only one proposal was received. Although one manufacturer notified us he would not bid, the lack of other responses cannot be explained. We are convinced, however, that we have made a greater than reasonable effort to encourage competition. To answer your second question, it is entirely possible that the bidder may have proposed a somewhat higher cost knowing he was the only offerer, however our analysis shows that the proposed cost is reasonable.

Senator Andrews: Have you considered reopening this bid? What analyses have you performed to determine the validity of the bidder's estimate? How do you reconcile that analysis with your original cost estimate?

Response: The Coast Guard did consider a resolicitation for the Flight Simulators but found it an unattractive alternative because: (1) there is no reasonable expectation that additional competition would materialize; (2) there is no guarantee that price, in a more competitive environment, would be lower; (3) it is certain that the buying power of available funds will continue to decline; (4) the Ready-for-Training date of the simulators would be delayed at least another year. This would mean another year of training in aircraft at an additional cost of at least $ 8.9 million plus the consumption of 1.5 million gallons of jet fuel. The bid has been subjected to an analysis as follows: First the Defense Contract Administration Services Management Agency (DCASMA) has conducted a cost and technical audit of the bid. Second, the bid was examined by analysts at the Naval Training Equipment Center who have compared the proposed costs with the costs for recent equivalent Navy simulator acquisitions. Last, during the course of the ongoing negotiations, Coast Guard personnel have examined in detail, the backup labor and materials information upon which the proposer based his costs. All of these analyses confirm that a reasonable price for this equipment would be about $ 17 million. Lastly, had we known that a contract would not be awarded until 1981, and had the economic situation been accurately forecast, the original estimate would have been closer to today's estimate of a reasonable cost.

Senator Andrews: Since receiving the bid, have you re-analysed the cost-effectiveness of contracting for simulator training in lieu of purchasing simulators?

Response: The Coast Guard did re-analyze the lease vs. purchase decision. Since one of the ingredients of the analysis is the initial simulator cost (whether Government or Contractor) an increase of this element will affect both sides equally. The new analysis also used current manpower costs. These new results showed an even greater advantage (43 percent) for the purchase option. This has been reaffirmed by a recent unsolicited proposal for the lease of simulator capability.

Senator Andrews: Your reprogramming request, whereby you offer to make savings in other activities to offset the cost escalation in purchase of simulators, reflects a considerable--and praiseworthy--flexibility on your part. In that same spirit of doing what must be done, and assuming that this committee might find it necessary to recommend extensive FY81 rescissions, please provide for the record, in prioritized increments of $5 million, your specific recommendations of FY '81 rescissions totaling $50 million, assuming enactment of such legislation by early summer.

Response: A $50 million rescission in the Coast Guard's FY81 appropriation would be extremely disruptive. While 65.2% of our $2.048 Billion budget involves operating expenses, this appropriation was not considered for inclusion in the recission since we already have significant shortalls in the operating expenses appropriation. These include an absorption of an approximately $11 million energy shortfall and approximately $12 million in COL. (The cost-of-living in our FY 1981 budget was based on a 9.75 percent inflation rate whereas we experienced a 12.5 percent rate.) Of the appropriations contained in our budget only our AC&I, RDT&E and Alteration of Bridges Appropriations were considered for the recission. As of 28 February 1981, only $164 million of the $375 million in these three appropriations remains unobligated. About one-fifth of that remaining amount is needed to meet contractural obligations on three multi-year contracts. Further, the majority of the unobligated balance is scheduled for obligation during the third quarter. Thus, if the Coast Guard were directed to make a $50 million cut in early summer, it would require elimination of virtually all projects that had not yet been obligated. Obviously, the closer we get to the end of the year, the less flexibility there is to make rescissions. The list of specific possible reductions is thus dependent on when notification comes to make the cuts. Below is a list of projects which we estimate will not be obligated by the beginning of summer 1981 listed in priority with the first project being the one that could be cut with least disruption to Coast Guard operations. In view of our well documented problems with our capital plant I cannot emphasize too strongly that I feel the Coast Guard capital budget cannot afford to take cuts of any magnitude.

ITEM	AMOUNT
1. Virgin Islands Boat	$143,000
2. Coast Guard Yard Gymnasium - Baltimore, Maryland	$1,157.000
3. AIREYE Data Systems Center-Washington, D. C.	$500,000
4. Three Mile Creek Bridge Alteration-Mobile, Alabama	$600,000
5. Research & Development Reduction	$3,000,000
6. Public Family Quarters	$2,930,000
7. Support Center Portsmouth Paint/Blast Booths	$1,395,000
8. Rebuild Station Clearwater, Phase II-Clearwater,FLA	$1,484,000
9. Air Station Miami Ramp Repaving-Miami, Florida	$2,387,000
10. Rebuild and Relocate Station Tybee-Savannah, GA	$2,000,000
11. Pollution Response Equipment	$2,000,000
12. Reserve Training Center, Yorktown Classroom Building, Yorktown, Virginia	$5,400,000
13. Ship Navigation Simulator-New London, Connecticut	$1,500,000
14. Support Center Kodiak, Replace Steam Boilers Kodiak, Alaska	$1,870,000
15. CGC COWSLIP Repair	$1,480,000
16. CGC MACKINAW Modernization	$1,680,000
17. Waterways Aids to Navigation Projects	$2,700,000
18. Replace Lightships with LNBs	$1,000,000
19. Yaquina Bay	$3,180,000
20. 140-foot Icebreaking Tug	$13,200,000

Senator Andrews: Provide for the record a detailed breakdown of your $2.5 million FY81 Appropriation for Advanced Marine Vehicles and indicate for each item how much has been obligated to date.

Response:The $2.5 million figure includes $1.0 million for Lighter-Than-Air System Concept Definition and $1.5 million for surface Advanced Marine Vehicles testing and evaluation. A more detailed breakdown follows:

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LIGHTER-THAN-AIR

ACTIVITY	FY81 PLANNED FUNDING	OBLIGATED AS OF 3/31/81
Analysis of design and ground support requirements for a full-scale Military Patrol Airship	$750,000	$755,000
Evaluation of airship design methods and factors affecting in-flight controllability of airships	220,000	70,000
Project Related Travel	30,000	13,000
TOTAL	$1,000,000	$838,000

SURFACE ADVANCED MARINE VEHICLES

ACTIVITY	FY81 PLANNED FUNDING	OBLIGATED AS OF 3/31/81
Lease and modify Bell Halter 110' Surface Effect Ship for CG operational evaluation	$850,000	$861,000
Develop test plans for Coast Guard Advanced Marine Vehicles test program	100,000	93,000
Conduct Operational evaluation of Bell Halter 110' Surface Effect Ship; provide fuel/logistic support	300,000	-0-
Develop matrices of Advanced Marine Vehicle configurations and performance characteristics	75,000	-0-
Conduct operational evaluation of second vehicle (hydrofoil, jetfoil, or SWATH vessel)	125,000	-0-
Project related Travel	50,000	8,000
TOTAL	$1,500,000	$962,000

Senator Andrews: What specific renovations are required on the Coast Guard cutter EAGLE for which you request $5.62 million, which was denied by OMB? Provide a breakdown for the record.

Response: The Congressional addition of $5 million to the FY 81 budget for EAGLE renovation has eliminated the need for FY 82 funding for that purpose. The total renovation cost of $5,750,000 is available from FY 1980 and FY 1981 funds. A breakdown of the renovation which began in FY 1980 follows:

	(Thousands)
Repair forecastle deck	$450
Repair quarter deck	650
Repair second deck	650
Improve watertight subdivision	900
Replace auxiliary propulsion engine	850
Renew auxiliary machinery	250
Replace piping system	300
Upgrade Electrical system	100
Repair third deck	150
Improve fire safety	100
Renovate living spaces	300
Miscellaneous renewals and improvements	300
Improve Watertight integrity	750
Total	$5,750 (Thousands)

Senator Andrews: On what basis did you request $1.74 million for secure voice capability on your 378 foot high endurance cutters and why was that request denied in the budget process?

Response: The request for $1.74 million was based on a Commandant's Determination for equipment to meet Coast Guard readiness requirements and for interoperability with the United States Navy. The request was denied in the budget process because it did not have high enough priority within the Coast Guard to fit within the mark assigned by Department of Transportation.

Senator Andrews: Explain your request of $1.4 million for a new personal defense weapon? Why was his request denied by the department?

Response: The request is in response to congressional directions and concerns expressed in 1977 over the numerous types of handguns and handgun ammunition in use within the Armed Services. The Coast Guard as part of the Joint Service Small Arms Program (JSSAP) agrees that a replacement weapon for the antiquated M1911A1 45. Caliber pistol is absolutely needed. This issue is currently before Congress as the result of Office of the Secretary of Defense submission of a JSSAP Study. The acquisition strategy discussed in the study identifies the Coast Guard as the first service to receive the new personal defense weapon. This is predicated on our ongoing law enforcement needs.

The initial request for funding was denied by the Department of Transportation because the priority for the replacement personal defense weapon was not high enough to allow it to successfully compete against other more urgent needs.

Senator Andrews: Why are you proposing to replace two high-endurance cutters with medium-endurance cutters? Define the capability of each type as it relates to your mission responsibility and readiness?

Response: Our cutters are designed to mission need, not as replacements in kind for existing capability. The missions of older High Endurance Cutters have in recent years been identical to those of Medium Endurance Cutters. These missions are Enforcement of Laws and Treaties, Military Readiness, Search and Rescue, and Marine Environmental Protection. Although the new cutters are smaller in size, their modern sensors, armament, and helicopter carrying ability make them more capable platforms for assigned missions than the older cutters they are replacing. Thus, we will be replacing 40 year old cutters with new cutters that are more capable and can be operated with smaller crews.

Senator Andrews: Typically, what happens to such large, decommissioned cutters? Are they sold to foreign governments, put in "mothballs," sold on commercial market, or what? To what account do the resultant revenues accrue? Is there any advantage in retaining them for training, reserve, or emergency Coast Guard use, especially in light of the recent Cuban Refugee sort of situation?

Response: Large decommissioned cutters that are declared excess to the service needs, are turned over to the General Services Administration. The funds realized from the sale of these cutters are usually returned to the General Fund as miscellaneous receipts. Retention of old vessels in any capacity is costly, as the ships are at the end of service life by all known naval standards. If, however, the perceived needs of the service outweigh cost considerations regarding retention, cutters remain in Coast Guard custody. One cutter, for instance, was retained as a training platform and another was kept in a decommissioned status for several years until placed back into service in 1977 upon implementation of the Fisheries Conservation Management Act.

Senator Andrews: Explain the operation of the Defense Fuel Supply Center and your recent price-cost experiences with DFSC.
Response: The Defense Fuel Supply Center fuel stock fund is a revolving inter-governmental stock fund intended to support its customers, primarily activities within DOD, with adequate petroleum products at stable prices over the course of a year. The Coast Guard is authorized to use this fuel where bulk stocks are reasonably available and established demand or specific advance requirements have enabled stock fund managers to provide for Coast Guard needs. At many locations there is no choice on the source of supply. Fuel is only available from DFSC or a local contractor.

Senator Andrews: What is the impact of the new DFSC pricing schedule on your FY 82 request?
Response: On October 1, 1979 the Defense Fuel Supply Center raised fuel prices 33%. On February 1, 1980 DFSC prices imposed a rare mid-year increase of 110% due to rapidly raising prices on the open market. This action was required to maintain the solvency of the stock fund. With a more stabilized position in FY 81, DFSC was able to make modest reductions in its prices of approximately 4.4%. The Coast Guard's budget was increased by 36.5 million for FY 81. This has left a shortfall of 16.7 million in FY 81 requirements. For FY 82, this amount plus any new increases above cost of living will be required. The Coast Guard buys 53.4% of its fuel from DFSC.

Senator Andrews: Is cheaper fuel available outside of DFSC?
Response: Local contract prices went up by 16$ between October 1, 1980 and February 1, 1981. These prices are now approximately equal to the Defense Fuel Supply Center standard prices. As local contract prices continue to increase, local procurements will become more expensive than DFSC fuels. The Coast Guard has bought and continues to buy the cheapest available fuel.

Senator Andrews: What is the potential for achieving savings by purchasing fuel from local contractors?
Response: There are no potential savings to be achieved by purchasing fuel from local contractors. In many instances only one source of fuel is available to the Coast Guard, either the

Defense Fuel Supply Center stock fuel or fuel purchased from a local contractor. At present, local contract prices approximate DFSC stock fund prices. However, price increases will cause local contract fuel to be more expensive in the latter half of FY 81.

Senator Andrews: What operational and readiness implications would be involved in such a change in suppliers?
Response: Changing to local suppliers at a time when their prices are rising above DFSC prices will result in a proportionate reduction in fuel for operational and readiness needs. Additionally, DFSC is a stable, dependable source of fuel. In time fuel shortages or national emergencies, we must rely on DFSC to provide adequate supplies of fuel. Thus, we believe we should maintain our supply lines with DFSC even during those rare and brief periods when DFSC prices are slightly higher than local contract prices.

Senator Andrews: Please summarize for the record your Memorandum of Understanding with DOD, NOAA, and NASA regarding the joint satellite-aided Search and Rescue demonstration program. What are the FY82 budget requests of each of the participants in support of this activity?

Response:The MOU was signed by representatives of DOD, DOT, NOAA, and NASA in 1978 to set forth the responsibilities of each agency during the development of space-borne and ground equipment, and through a fifteen month demonstration of system capabilities following successful launch of the first satellite system. The SAR equipment is presently being installed on the NOAA/ Tiros-N type spacecraft for an anticipated launch approximately May, 1982. The MOU is entered into pursuant to the National SAR Plan of 1969, which states that NASA will support SAR objectives through R&D, and designates DOD/USAF as the Inland Region SAR Coordinator and DOT/USCG as the Maritime Region SAR Coordinator.

The MOU basically calls for NASA as lead agency to develop the hardware and coordinate arrangements and for NOAA to allow use of NOAA-E, F and G spacecraft to carry the space-borne equipment into orbit. All NOAA costs are reimbursable by NASA. DOD is responsible for one Local User Terminal (LUT) and for establishing and manning a Mission Control Center (MCC) to act as a single point of contact for all U. S. SAR opertional interfaces. DOT is responsible for procuring, installing, maintaining, and operating one LUT, and operation and maintenance of a NASA provided LUT. NASA, DOD and DOT will share equally in the costs of developing and procuring advanced ELT/EPIRB hardware for use in the SARSAT evaluation.

The DOT (USCG) FY82 budget request for SARSAT is $1.25 million to complete system planning, continue system development, and initiate evaluation of the system. The NASA FY82 budget request of $5.0 Million now stands at $1.3 million, mainly for final integration of the transponder and government furnished equipment into the NOAA spacecraft. The DOD (USAF) FY82 request of $0.2 million covers spares, computer supplies, etc. needed for the MCC. NOAA does not have a SARSAT line item on their budget request since they are being reimbursed by NASA.

Senator Andrews: Define, justify, and quantify your FY82 budget request in the area of Command, Control and Surveillance as it relates to requirements analysis, multi-mission design, and preliminary Command and Control development. What would be the impact of postponing the last two elements of this activity for a savings of $1 million?

Response: The FY 82 budget request in the area of Command, Control, and Surveillance is in support of a multi-year project which began in FY80. The project is examining ways of reducing the currently inefficient handling of information within our operational missions while still providing accurate and timely information to operational decision makers. Field personnel indicate that the current information handling burden demands 60 to 80 percent of their manpower resources.

The requirements analysis, multi-mission design, and preliminary command and control development are the primary elements of this project. Both the requirements analysis and preliminary development are multi-year project elements. The three project elements are interdependent and, when completed, will clearly document information needs, provide a basis for long term planning, and facilitate cost effective means for evaluating potential solutions prior to full scale development.

It has cost $1.6 million over FY80-81 to reach our current position. The impact of not pursuing the latter two elements in FY82 will be to stop this ongoing project because of the elements' interelationships. The value of the effort completed in FY81 will diminish rapidly if follow-on efforts are delayed. To restart the project at some later date and work back to our current position will cost an estimated $2 million.

Senator Andrews: Is there any other activity in which you would prefer to sustain a $1 million reduction?

Response: If a $1 million reduction is required, it would be preferred not to take the reduction from any one project or project area but rather spread the reduction over several areas (i.e. CVS, RBS, MEP and the like) to minimize the effect of such a reduction.

Senator Andrews: Your budget includes a request of $4.35 million for Advanced Marine Vehicles, which is a 75 percent increase over last year. In view of the fiscal restraints with which we are faced, explain how you would prioritize and restructure the activities under this account if you were only appropriated $2 million for this.

Response: A reduction of this magnitude, distributed between the Lighter-Than-Air and Advance Marine Vehicles programs, would severely restrict each. A reduction in the scope of the Ligher-Than-Air project is not anticipated. The initial work will be accomplished under a multi-phase incrementally funded contract. The work includes design of a sub-scale flight demonstration vehicle, computer simulation to verify the expected performance of this vehicle, wind tunnel testing, lease of a sub-scale demonstration vehicle for test and evaluation, and analysis of the measured performance of the sub-scale vehicle to relate it to a full scale design. The objective of this contract is to allow a decision to be made by the end of FY84 whether or not to proceed with development of a prototype vehicle. A significantly reduced funding level would likely delay completion of this contract until FY87 or FY88, and could result in termination of the contract and all associated

work. Termination could result if it became unprofitable for a contractor to maintain the required concurrent level of effort by many specialized engineers at a reduced funding level. The possibility of contract termination would have to be examined in detail before determining what portion of funds would be allocated to the program. Significant reductions in Advanced Marine Vehicles funding would greatly reduce the scope of diesel hydrofoil testing, eliminate the testing of existing fleet vessels for baseline comparison with new concepts, reduce the scope of small craft evaluations and advanced squadron demonstrations, and eliminate design analysis of large planing vessels.

Senator Andrews: Generally speaking, when faced with a stringent fiscal situation, most agencies tend to want to continue funding for those activities which immediately sustain or improve performance versus those with a longer-term payoff. With this concept in mind, what relative priority would you assign to your requested 40 percent increase in Search-and Rescue performance research?

Response: Search and Rescue is one of the most personnel and capital intensive missions performed by the Coast Guard. As such, it represents an area where improvements in performance could result in saving many orders of magnitude greater than our R&D investment. Overall, on an "expected benefit to the Coast Guard" basis, the research in question remains relatively high in priority.

Senator Andrews: Your budget reflects a three-fold increase in Environmental Protection and Enforcement. Explain the AIREYE component of this request and tell us if this could be delayed for awhile.

Response: The entire $3 million request for detection and enforcement is for AIREYE. The money is required to continue funding the AIREYE system integration contract that was competitively awarded to Aerojet ElectroSystems of Azusa, California, on 1 August 1980. The R&D portion of that contract ($6.5 million) was partially funded ($4.5 million) utilizing FY81 and earlier money. The $3 million in FY82 is required to fund the remainder of the Aerojet contract, to fund maintenance for the Government Furnished Equipment (Side Looking Radar, Infrared/Ultraviolet Line Scanner, Aerial Reconnaissance Camera, Airborne Data Annotation System, Active Gated Television, and HU-25A aircraft) and to purchase data to support the AIREYE system integration. The funding cannot be delayed without terminating the contract with Aerojet at the Hot Mock-up Stage, prior to aircraft installation and flight testing.

Senator Andrews: The Inspector General's semi-annual report to Congress for the period ending September 30 1980, reports that $32 million of the Coast Guard's inventories are not well managed. According to the report, "At least $18.4 million of the inventory was excess to the needs of the USCG and the inventory contained sizeable quantities of duplicated and condemned items". Is this an accurate assessment and what steps have you taken to correct the situation?

Response: This assessment failed to recognize the need for insurance items to support an aging fleet, project material and industrial stock. The figures are therefore distorted. This is not to say that we believe our Ship's Inventory Control Point (SICP - the object of the IG study) to be operating at desired efficiency. Nor does it mean that there are no obsolete or excess inventory items. There is. In order to correct these problems, we have reduced the number of satellite stocking points, are maintaining

closer accountability for reqarable items, are procuring new ADP equipment and software, and have requested additional personnel resources.

Senator Andrews: In the event of war or a national emergency, it is my understanding that the Coast Guard Reserve would assume responsibility for Port Security. Are your Reserves regularly trained in Port Security and do you have sufficient equipment to be obtained by the Reserves should the need arise?

Response: The peacetime active Coast Guard includes 3,410 personnel dedicated to Port Safety, Port Security, and Commercial Vessel Safety duties, supported by additional multi-mission resources. To meet expanded wartime requirements this force would be increased immediately upon mobilization by 9,400 Selected Reservists.

One third of these Selected Reservists regularly perform augmentation training directly in Port Safety/Security. The remainder perform augmentation training in missions developing skills such as small boat operations and law enforcement which are transferrable to their mobilization assignments. Classroom training and periodic mobilization exercises round out their wartime mission training.

Current logistic plans indicate that sufficient equipment for wartime use is either on hand in Coast Guard and Navy inventories, or readily available from the Coast Guard Auxiliary and commercial sources.

CAPITAL PLANT

Senator ANDREWS. Right now I would like to turn the oral questioning over to my colleague and good friend from Wisconsin, Senator Kasten, a member of the subcommittee who has a deep and a longstanding interest in the Coast Guard. Senator?

Senator KASTEN. Thank you, Mr. Chairman.

Admiral Hayes, there was a recent article in the newspaper indicating that the Coast Guard was operating with what was called "obsolete equipment and inadequate numbers of personnel."

What is the average age right now of your capital plant, of the vessels and the aircraft? Do you have any estimate as to what the average age is?

Admiral HAYES. I have an immediate average age on our ships for you, Senator Kasten, and that is 27 years.

Just 2 days ago, my First Coast Guard District Commander made the decision not to sail one of our ships because it was simply unsafe to send to sea. We are getting to that point, unfortunately, with our fleet in a variety of areas. I am most concerned about it, as I have stated on a number of occasions in recent years.

With respect to our aircraft, if you would, I will provide it for the record.

[The information follows:]

The average age of major Coast Guard vessels, i.e., those over 150 feet in length, is 27 years. Our aircraft average age is 16 years and the average age of the shore plant is 35 years.

SIMILAR PROBLEMS

Admiral HAYES. I will say that we are beginning to have similar problems in at least parts of the aircraft fleet, although with respect to procurement programs I think we are probably overall in a little bit better shape there than we are in the ship portion of our capital plant.

Finally, the average age of our shore plant I think right now is about 35 years, between 30 and 35 years. So as you can see, we are kind of ancient in some areas, and it is a matter, I think, of substantial concern.

With respect to the personnel end of it, I will just say that a joint zero-based personnel study was completed this past year at the request of the Secretary of Transportation, in which the Office of the Secretary and OMB participated. And that study really took a look, Senator Kasten, at this question:

> If you were to start up a Coast Guard from scratch and you knew the nine missions, the nine principal missions that ought to be assigned to the organization, and you had a series of operating program plans for each of those missions that identified the level of performance for that mission, how many people would you need?

And the number that came out at the other end was a number, first, that was needed to support current level of operations; and then a number that would be needed to support, let us say, that maximum dollar-in, dollar-out portion.

And of course, it did verify, as we had been saying, that we are substantially short of personnel.

Senator KASTEN. Have you any estimates as to how much it would cost to bring the capital plant up to what would be an adequate level or an optimum, maybe those are two different numbers, but an adequate level of readiness?

Admiral HAYES. At current level of operations, Senator, without any augmentation of capability to take care of the increased responsibilities that we have in the operational arena, we have estimated that we require between $600 and $700 million per year for the next 10 years, just to try to recover the capital plant that we now have.

Senator KASTEN. So you are very much in the same situation that the Navy seems to find itself.

Admiral HAYES. Yes, indeed, although I will say, Senator, that with respect to numbers of vessels we are indeed in that situation, the average age of naval vessels today overall is about 15 years or perhaps a little bit under, as compared to our 27.

ICEBREAKERS IN GREAT LAKES

Senator KASTEN. I would like to talk specifically about the Great Lakes for just a moment. What is the status of Coast Guard hardware, the ships in the Great Lakes today, particularly the icebreakers?

Admiral HAYES. Again, it is a mixture of new and old. We have the *Mackinaw* in the Great Lakes. It is an old ship. It was built during World War II.

On the other hand, with respect to that vessel, I would say that we have spent and plan to spend substantial moneys to enhance the habitability of that vessel because otherwise it is in fine condition. You see, it has been in fresh water all its life and hence has not suffered the corrosion effects that otherwise is true with our seagoing icebreakers.

So I would say that its capability of lasting a fair number of years in the future is very good.

Senator KASTEN. What other hardware do you have that is now in the Great Lakes?

Admiral HAYES. We have our new 140-foot icebreaking tugs. And Senator, they are exceeding our finest hopes, I think, with respect to their design and their performance. And we see the combination of those vessels with *Mackinaw* and to the extent any other capability is needed in the future as quite adequate to carry out those needs in the Lakes.

Now, the only other vessels we have up there, other than our boats at our rescue stations, are our bouy tender fleet, and they too are World War II vintage and quite aged for the most part.

Senator KASTEN. I noticed in the budget outlines that the dual draft icebreaker had been deleted, $113 million. Where would that ship have gone? Was it intended to go to the Great Lakes?

Admiral HAYES. She was to be the *WestWind's* replacement, Senator; and once completed, would have carried out the responsibilities of that vessel, which included, of course, the winter, late fall, and early spring responsibility in the Great Lakes.

Senator KASTEN. Are you satisfied that you will be able to maintain or, I should say, to fulfill your mission in the Great Lakes in a satisfactory manner, given the resources that you presently have?

Admiral HAYES. That we presently have and that we plan for, "Yes," we do.

SUBMITTED QUESTIONS

Senator KASTEN. Mr. Chairman, thank you very much. I have no further questions.

There might be a couple of questions that we would like to submit to you for written answers. But I appreciate your testimony this morning.

Admiral HAYES. We will be happy to respond.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Kasten

Senator Kasten: The Coast Guard had the lead role in the Cuban refugee matter - what effect did this have on other mission areas? What long-term effect was there on the Coast Guard? What weakness in your agency became apparent? Will this budget alleviate the problem areas?

Response: The Coast Guard experienced adverse impacts throughout the service. Routine Search and Rescue was seriously degraded, especially in the Northeast. On the East Coast our Marine Environmental Protection program and our Enforcement of Law and Treaties program which includes fisheries law enforcement and drug interdiction activities came to a virtual standstill and were reduced during that period by 95% and 85% respectively. Over-utilization of cutters, aircraft and boats created both training and maintenance problems. Scheduled unit and individual training was foregone to respond to the boatlift. This training can not be recaptured thus it will take time to raise the skill level of Coast Guard personnel back to acceptable levels. The tempo of operations during that time precluded normal routine maintenance on cutters, aircraft and boats as well as causing increased engineering casualties due to the longer deployments and harder running. The increasing age of our capital plant was readily apparent throughout the entire boatlift. This fact is impacting the ability of our resources to recover both in terms of maintenance and training. An FY81 supplemental request of $42,000,000 now before Congress is targeted at correcting all the maintenance and training problems created by the boatlift. A reduction of $29,000,000 in the FY82 budget will still leave us with $13,000,000 to carryout the recovery which should be complete by the end of FY82.

Senator Kasten: How much money is required to bring your captial plant into the modern ages?

Response: The Coast Guard Capital Investment Plan indicates that in the ten year period of 1983-1992 the Coast Guard will require capital investment of $5.936 billion to maintain the current level of service to the public without depletion of capital. An additional $4.885 billion investment would be required in that same period to permit an increase in operations to the level which provides optimum service to the public.

Senator Kasten: With the recent refugee operations in the Gulf of Mexico and a reduction in the Navy's presence in the Caribbean, some analysts believe that the Coast Guard should be expanded to meet requirements for a maritime presence in the region. Would you agree with that statement and if so, what additional resources would be needed?

Response: Yes, I agree with that statement. The Coast Guard because of our humanitarian stature presently enjoys a good reputation as well as a good working relationship with many Caribbean countries. We are a peacetime asset and can project U.S. force in international situations and not be perceived as threatening as would a Navy combatant. Many of these nations have declared 200 mile fisheries or economic zones. Because few of them have the capability to protect these zones, these nations are anxious to establish or improve Coast Guard-like forces. Meetings with many Caribbean nations have been scheduled to discuss such topics as Search and

Rescue and marine pollution prevention. Until these meetings have been concluded, I am not in a position to state exactly what additional resources would be needed.

Senator Kasten: What are the five major items which are unfunded?

Response: (In thousands of dollars)

	AC&I PROJECTS	Amount
1.	Dual Draft Icebreaker	113,800
2.	WYTM/WTGB Replacement	31,680
3.	WLB Service Life Extension Project	19,650
4.	Procure Helicopter FLIR Sensors - PH I	18,020
5.	SUPRTCEN Kodiak, AK - Personnel Activities Center	15,200

Senator Kasten: Doesn't the Coast Guard receive treatment from these facilities also. What effect will this have on Coast Guard care or the budget?

Response: Coast Guard beneficiaries, i.e. active duty, dependents and retirees receive health care in PHS hospitals and clinics. The PHS provides care to approximately 17% of the total Coast Guard out-patient workload and 38% of the inpatient workload. DoD, Coast Guard and civilian providers render the remainder of this care.

An internal task group has been formed to study the situation concerning the PHS hospital closures and the potential impact on the Coast Guard, budgetary or otherwise. We are concerned that the health care services now being provided to Coast Guard beneficiaries should continue at their current level. If the PHS relinquishes its current responsibilities regarding Coast Guard health care due to staff reductions or budgetary reductions, we estimate that approximately $28 million additional would be required in our FY82 budget. Additionally, the Coast Guard would require the transfer of 148 physician/dentist positions it now has under a reimbursable arrangement with PHS.

We will be working closely with OMB, PHS and OST to work out suitable arrangements for both short-term and long-term solutions to any problems that surface.

Senator Kasten: How much of the Coast Guard's operational time is spent in military readiness exercises? How is time distributed between military readiness and the non-military operational activities, and to what extent is this a proper balance?

Response: Coast Guard operational time dedicated to military readiness varies with the class of vessel and its designed capabilities. Below is a general breakdown of cutter time utilized during these exercises annually.

Percentage of total operations dedicated to military readiness exercises:

WHEC 378' - 35%
WMEC 270' - 35% (Predicted)
WMEC 210' - 16%
WLB 180' - 12%

Of the exercises required most are directly applicable to operational Coast Guard missions. The following is a breakdown of the application of exercise time.

WHEC 378' - 70% Military
WMEC 270' - 70% Military
WMEC 210' - 80% Military
WLB 180' - 95% Military

These percentages are the standard and considered to be a proper balance.

Additionally, the Coast Guard participates in the joint services exercise program. We participate in approximately 9 Command Post exercises annually with an exercise running from 5 to 21 days depending on the scenario. Participation may involve as few as 100 personnel or as many as 500 personnel.

Senator Kasten: Some analysts have suggested that current Coast Guard assets would be extremely useful to the Navy in times of national emergency. Which of these assets are likely to prove of most value to the Navy?

Response: The Coast Guard as a military service and a branch of the Armed Forces is required to maintain a high degree of readiness to function as a specialized service within the Navy during wartime or other emergencies when directed by the President. The Coast Guard, with command, control, and communications ,is a force in being consisting of approximately 39,000 military and 6,000 civilian personnel, 235 cutters, 145 aircraft, 2000 small boats, 160 search and rescue stations, and 59 LORAN/OMEGA stations. We believe the following assets and capabilities will be most useful:

The twelve active 378' WHEC's and thirteen planned 270' WMEC's can perform Anti-Sumarine Warfare (ASW), protection of Sea Lines of Communications (SLOC), convoy escort, surveillance, and interdiction duties. The sixteen 210' WMEC's and seventy eight patrol craft (82' & 95' WPB's) can perform coastal surveillance, interdiction, protection of coastal SLOC's and off shore assets, and serve as craft of opportunity for mine countermeasures operations. The Coast Guard's fleet of five icebreakers is capable of conducting operations in the ARCTIC and ANTARCTIC regions in support of national objectives. Twenty seven seagoing buoy tenders (WLB) and fifteen coastal buoy tenders (WLM) can provide essential Aids to Navigation assistance in advanced operating areas.

The Coast Guard can provide tactical lift with its C-130 aircraft. Coastal Surveillance can be provided by its HU-25 Falcon jets, with SAR being provided by its HH52A, HH-3F and soon to be received HH65A helicopters.

The Coast Guard's 9400 reservists are ready to be called up to provide security and safety services within our nations ports. Vessel Traffic Services are established in five of our major ports. The experience gained in operating these services will allow us to establish additional temporary services as necessary.

The wide coverage terrestrial communications system consisting of HF, VHF, FM, landline, radio teletype, and radio telegraph. This system forms a basic link with merchant vessels.

In addition to the existing electronic navigation systems (LORAN-C and OMEGA) the Coast Guard can deploy transportable LORAN-C resources to meet DOD contingency needs.

The Coast Guard network of Rescue Coordination Centers (RCC's) is an in-place network of command and control facilities. Their coverage is complete along the U.S. coasts and extends broadly into the Atlantic and Pacific.

The planned Marine Safety Information System (MSIS) will provide current data on commercial vessel identity movements and cargo. This system will be enormously useful to Naval Control of Shipping during wartime.

Senator Kasten: Does the Coast Guard have the ability to "keep up with the Navy" if they are required to come under the operational control of the Navy? Are the ships adequate?; airplanes?; manpower?.

Response: The elements of the USCG which are required to come under Navy control during time of war are routinely trained and evaluated by Navy refresher training and Fleet exercises, and have proven their ability to successfully carry out their assigned missions. The Coast Guard has identified a need for an additional 22,000 personnel beyond our active duty ceiling to perform defense related wartime functions, the majority of which are in the port safety/security programs. The present USCG Selected Reserve authorization of 11,700 personnel is substantially less than the required 22,000 personnel. While it is recognized that some of the difference can be made up from the Individual Ready Reserve a substantial shortfall will still exist. The CG planning staff is presently upgrading CG planning to meet DOD standards.

In view of the Coast Guard's increasing role in the defense of the U.S. in cases of national emergencies and war, it is apparent that the present number and capabilities of the various classes of cutters and aircraft are inadequate. The recently established Navy/Coast Guard Board is studying Coast Guard wartime tasking and the assets required to meet current and projected future tasking. The currently installed high endurance cutter (WHEC-378 class) weapons and sensor systems are programmed to be replaced. Some new cutters are programmed to be built, however, depending on future Navy plans for expanded war time tasking for the Coast Guard, more cutters and aircraft will be required.

Senator Kasten: Does the Coast Guard have specific defense or national security missions independent of the Navy programs? What are these?

Response: Yes. Program areas that are independent of Navy programs yet of great importance to the national objective of strategic mobility include Port Safety and Security, Commercial Vessel Safety, Aids to Navigation, and Military Search and Rescue.

Our Port Safety and Security response is primarly determined by Department of Defense components such as the Defense Logistics Agency, Defense Fuel Agency, Military Traffic Management Command, and Military Sealift Command who provide information to the Coast Guard that results in the JCS identification and prioritization of the U.S. strategic ports. Additional input is provided by the Maritime Administration.

The U.S. Army, through the Chief of Naval Operations, tasks the Coast Guard with protection of locks and dams in the United States.

Senator Kasten: Does the Coast Guard have specific defined roles in the Caribbean? Are they related to national security? Do you have the ships and planes to do the job?

Response: The Coast Guard is very involved in the Caribbean region on a daily basis. One of our larger missions in this area is the enforcement of laws which prohibit the entry of illegal drugs, mainly marijuana, into this country. This mission places our vessels and aircraft in many areas throughout the Caribbean. The Coast Guard also provides all standard Coast Guard services for the islands of Puerto Rico and the U.S. Virgin Islands. These services include missions such as aids-to-navigation, search and rescue, port security, marine environmental protection, and commercial vessel safety. Often, upon request of other Caribbean governments, the Coast Guard provides rescue services during emergency situations. Several of our missions in the Caribbean area have national security implications.

During wartime the Coast Guard's efforts in the Caribbean area emphasize port security, combat search and rescue, and the control of movement of U.S. fishing vessels and small craft. The Coast Guard also participates with Naval forces in support of missions such as convoy escort, surveillance, and anti-submarine warfare.

The Coast Guard's resources are insufficient to perform our assigned missions in the Caribbean area. This is clearly evidenced in the Coast Guard's drug interdiction efforts, where we are stopping only about 16% of the illegal drug traffic with our available resources.

DRUG INTERDICTION

Senator ANDREWS. Thank you, Senator.

Senator CHILES. Thank you, Mr. Chairman.

I am delighted to have you here today.

During the Cuban refugee operation, between September and December of last year, the Coast Guard more than doubled its forces in the south Florida area. And during that 60-day period you interdicted more marihuana than all of fiscal year 1979.

I understand that the main tactic for marine interdiction of drugs coming from Central and South America is to concentrate Coast Guard resources in the four Caribbean choke points, the Yucatan Channel, the Windward Passage, the Mona Passage, and the Anegada Passage. And based on Coast Guard resources in the south Florida area, those choke points are now patrolled less than 18 percent of the time.

I understand the Coast Guard has 13 cutters under procurement, 41 aircraft, and 90 helicopters, with $319 million budgeted for this procurement program in fiscal year 1982. Can you tell me how much of this additional equipment is scheduled to be located in the Seventh District to assist the drug interdiction program?

Admiral HAYES. I think the answer, bluntly, Senator, is, "None," other than if it happens to replace a vessel that gets scheduled into the Florida area on a routine basis from elsewhere in the Atlantic area.

We have, however, because of the tempo of operations last year, commissioned some old naval vessels which are being stationed down in the Florida area and will give the Seventh Coast Guard District some additional capabilities. Two will be in Key West and one in Charleston, S.C.

But I emphasize that, at least at the present time, they are there in order that those vessels involved in the Cuban boatlift last year can have maintenance, upkeep, and training restored for their people that were bypassed during that period of time. As far as the Coast Guard total capability is concerned, this does not represent an additional capability at all, but rather a replacement capability, as is also true with those new ships.

Senator CHILES. Are there any other surplus naval ships or other ships that you might be able to procure?

Admiral HAYES. I think it is worth the committee's knowing, Senator Chiles, that when the Coast Guard took a look at what it might commission in order to give us more capability to handle this drug problem and the refugee problem, we have gotten to the state of affairs in this Nation at the present time that the only ships we can find that we can reasonably place in commission and operate are World War II ships of a nature similar to those that we are hopefully about to replace with this new replacement program.

So I have to tell you, sir, that there just are very few ships available to enhance either the Navy or the Coast Guard's missions at the present time.

Senator CHILES. I understand the Coast Guard now estimates that it interdicts approximately 20 percent of the marine drug traffic. Based on a Coast Guard paper that was made available to the committee, the Coast Guard has estimated that in order to interdict 75 percent of the drugs smuggled in by sea an additional 42 medium endurance cutters, an additional 57 patrol cutters, an additional 38 fixed-wing aircraft, and 45 more short-range helicopters would be required, with an overall price tag of $2.3 billion or $230 million a year for each of the next 10 years.

Is that correct?

Admiral HAYES. Yes, sir; your figures are correct. And interestingly enough, Senator Chiles, when we had that substantial increase in effort which you mentioned earlier in your comments, we were able to plot on our original planning curve from which these figures were developed a couple of points that directly related experience to our planning projections and in effect verified that what we were projecting as requirements to achieve that level of effectiveness were very, very close.

So I think that I can say that at least, certainly at the 50-percent level, our estimates are quite accurate, and at the 75-percent level at least they are in the ball park.

Senator CHILES. Have you had any discussions with the new administration regarding establishing a drug interdiction goal for the Coast Guard?

Admiral HAYES. Not specifically. Of course, with respect to that kind of thing, we have not gone through a budget process with the current administration as yet. We will be doing that with the 1983 budget as it develops, and hence have not gone over any issue papers or dealt with any specific issues of that type as yet.

We do have, again, Senator Chiles, the roles and missions study which is underway, which will be and is being overseen by the new administration.

Senator CHILES. Admiral, based on the experience that you have had and that the Coast Guard has had and the fact that now you are estimating that you are interdicting perhaps 20 percent of the drugs that are coming in by sea, how serious do you find the overall problem of drugs and the smuggling of drugs into this country?

I mean, how serious do you rate that problem? Is it a national security problem?

Admiral HAYES. First I would respond, Senator Chiles, by saying that with respect to the entire drug problem it clearly is a matter of major national concern. When one considers, for example, that it is the third largest import business in the United States and one that is illegal at the same time, it has to be a matter of great concern.

Second and just as obviously, it is of concern to us from a societal and philosophical point of view. And I think any of us, without regards to our specific responsibilities, are greatly concerned about it.

Now, looking at the Coast Guard's piece of the action, I think that if you look at the spectrum, you have the demand that is generated by the users in the society, and the way you handle that problem, obviously, is to educate or convince society generally not to use drugs, and that would be the preferred solution.

At the other end of the spectrum is the supply point. You would like to get rid of it at the supply point, so that you do not have to deal with the problem of interdicting it, which of course is the third part of the process, the transportation from supply to demand.

And we are involved in that middle ground problem and, very honestly, also the part of the solution that is most costly and least effective, if you understand what I mean. It is just very, very difficult to deal with.

Senator CHILES. Is there any way of doing away with that part of that solution?

Admiral HAYES. I can say to you that as far as marihuana is concerned, we can probably make an economic impact upon its transportation if the Nation is willing to invest the kinds of dollars that you have identified a moment ago. And that, obviously, is a political decision.

I would say as a citizen and taxpayer that I would far rather, in the long run, see our society moving away from that problem and permitting us, therefore, to devote our resources to more productive needs.

Senator CHILES. And, of course, one way of doing that is to try to reduce the incidence and the use.

Admiral HAYES. Absolutely.

Senator CHILES. We are talking about a severalfold problem here. One of the problems that is becoming more and more apparent is that marihuana is not a harmless drug, as people have once said. As the medical information is coming in, we are finding that there are more and more harmful effects of the drug both physically as well as psychologically to the people that use it.

In addition to that, which I think is a major problem in itself, we are also dealing with the fact of the untaxed dollars that are generated by the importation of this drug and what that is doing to our society, which is compounding into a tremendous problem.

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In my State, for example, we now know that homes are costing $1,000 to $2,000 more in south Florida by virtue of the drug inflation. In addition to that, over $7 billion a year of untaxed money is laundered and comes back into the Florida economy. That figure is in the $50 to $60 billions across the country, and those are 1979 figures. So it is considerably higher than that now.

Those funds are corrupting our law enforcement people. The judicial system is a target for corruption, to say nothing of the fact that legitimate businessmen are trying to compete with those untaxed dollars. And if he competes successfully, then the mob doesn't like that very much. So they will start their extortion and strong-arm tactics there.

NATIONAL DEFENSE ASPECTS OF DRUG WAR

All of those reasons make me feel that it is a problem and it affects our national security. The reason I raise that is because we have decided, the administration has and I certainly concur, that the national defense is an area that we are exempting from budget cuts. And rather than cutting the budget in national defense, we are adding to it.

And I guess the predicate I am trying to lay is that it is virtually in our national defense to do something about the problem. We are having an invasion of foreign drugs. The Coast Guard is also trying to patrol our borders against illegal immigrants. Is this, in effect, a part of our national defense?

Admiral HAYES. Certainly, Senator Chiles, I would observe that at any time a nation is beginning to deteriorate within, its national security may well be threatened far more than would be the case with a threat from without the nation, which can be met with prudent actions.

So I guess, to answer your question, I would give a resounding, "Yes." I think it is a major concern with respect to national security.

And, of course, I have also been arguing that, as well as the five Armed Forces of the United States, that the Coast Guard as an organization in its entirety is certainly an important element of the national security and national defense.

So I think that, whether one is looking at the actions we take with respect to interdiction of drugs, which clearly is significantly important at the present time, or undertaking those things that have to do with our military readiness responsibilities, we equally are providing a strong input into national security.

Senator CHILES. I am delighted with that answer, because I concur in it very, very wholeheartedly.

I note, and it disturbs me, that it appears that the Coast Guard is proposing to reduce the cutter operating hours devoted to general law enforcement from 133,000 in fiscal year 1980 to 100,000 hours in 1982; and it is proposing to reduce the aircraft flight-hours devoted to general law enforcement activities from 14,000 air-hours in 1980 to 7,700 hours in 1982.

This represents a 30-percent decrease in drug interdiction efforts between 1980 and 1982. In view of the fact that south Florida is awash with drugs, the Coast Guard should be increasing its drug enforcement efforts, not decreasing them.

LAW ENFORCEMENT FUNDS

Is this reduction due to the fact that the operating budget proposed by the Coast Guard for general law enforcement activities was reduced by the Department and OMB by approximately $30 million?

Admiral HAYES. Not directly, Senator Chiles. Most of that reduction is associated with recovery from the Cuban operations. Just the mere fact that the total of operations was so high during that fiscal year, that we are now in the process of having to recover both from a maintenance as well as a training standpoint.

So the majority of that reduction in effort is associated with that recovery. Even though we have gotten the additional ships in our inventory, it has taken time to put them into commission, and of course that is lost time during the fiscal year.

Senator CHILES. Most of the figures I was giving you, though, were coming from the 1980 figures. And the Cuban operation was mainly in 1981. So I was trying, I know there was a buildup then, I was trying to use the 1980 figures that you had.

Admiral HAYES. Senator Chiles, let me take a look at that, if I may, and I will provide you an answer for the record. I want to try to take a look at those specific figures.

Senator CHILES. I would like you to tell me what restoration of operating budget funds would be required to maintain the cutter and aircraft operating hours at the 1980 levels.

Admiral HAYES. The answer, very bluntly, Senator Chiles, right now is that, because of the condition of the fleet, we probably cannot produce that level except on an emergency basis.

As my staff just pointed out, Senator Chiles, most of that Cuban operation was indeed in fiscal year 1980. We are, of course, just into fiscal year 1981 at the present time. So that was one of the major changes. The Cuban operations were tagged for the most part as law enforcement operations.

But I will look into it more carefully. And what I have given you, Senator, if it is not accurate, we will correct it.

TAMPA BAY NAVIGATION AIDS

Senator CHILES. I am sure, Admiral Hayes, that you recall the marine collision last May, when the freighter *Summit Venture* collided with the main pier of the Sunshine Skyway Bridge that crosses at Tampa Bay. The Governor has proposed the replacement project for the bridge, which has received favorable response from Secretary Lewis and Administrator Barnhart of the Department.

One of the comments that has been expressed to me on a number of occasions, most recently by the St. Petersburg Chamber of Commerce, is the interest of having the Coast Guard put additional navigation aids in place at Tampa Bay. St. Petersburg Chamber of Commerce has also specifically suggested that the Coast Guard study the possibility of including electronic distance measuring equipment in the navigational aids.

Admiral Hayes, would you respond generally to this concern for providing navigational aids in Tampa Bay to avoid any additional accidents

in the bay. And more specifically, in the record if necessary, would you respond to the concept of including electronic distance measuring equipment in your navigational aids?

As I understand it, this equipment provides specific information to the pilot as to the distance from the center of the channel, and is a technological advantage over the kind of equipment now being used.

Admiral HAYES. The technical acronym for the type of aid to navigation you are describing, Senator Chiles, is RACON. We are currently receiving 25 units for that purpose, and hope to have 50 units in place by the end of calendar year 1981.

Basically, the actual distribution of those and their location is currently under discussion between our headquarters staff and the staff of the Commander, Seventh Coast Guard District, located in Miami, to determine the most scientific and best location of those aids for purposes of general navigation.

So we do not disagree with the observations of your constituents down there and are indeed underway rapidly to respond to that concern.

Senator CHILES. I am delighted to hear that. I know there will be pressure and reasons to put those in other places, but given the fact that there have been three accidents in that particular span in the last several years, and the latest accident cost more than $40 million. That was just sort of a repair price, and if you go on and build a higher level bridge it is going to cost considerably more than that. I think it is $217 million that we are talking about.

It would seem that this would be a pretty high-priority area, given the fact of what happens because of storms and tides through that particular channel. And I would sure hate to see us put a $217 million bridge in there and then knock it down.

Of course, we also had a considerable loss of life because of the bus that went off of the bridge, and that was a tragedy in itself. I think 17 people lost their lives in that tragic accident as well.

BUDGET REQUESTS TO OST/OMB

In documents available to the committee, I notice that the Coast Guard's original capital improvement cost for 1982 was $887 million. OMB reduced that request to approximately $609 million, and the request now before the committee is $375 million.

I understand, based on the study done by the Coast Guard, that you need to invest at least $600 million a year in your $11 billion capital plant just to keep the average age of your facilities under 20 years. Is that correct?

Admiral HAYES. Yes, sir; except for one minor correction. The first reduction to which you alluded was made during the review process in the Office of the Secretary of Transportation. That is, the reduction from the $800 million plus down to the $600 million plus was at the Office of the Secretary of Transportation.

And then the second one, of course, was the reduction that occurred during the Office of Management and Budget review process.

I might mention, though, Senator Chiles, in commenting on that, both Secretary Goldschmidt then and Secretary Lewis today have been

strong supporters of our capital plant requirements and certainly have been lending all the support I could ask for so far.

Senator CHILES. We will note for the record how strong that support has been. The bottom line that we see, though, is that you have less than half the money that you said was necessary to keep your plant within the 20-year level.

Admiral HAYES. That is correct, Senator Chiles.

Senator CHILES. I notice that the Coast Guard had originally requested over $2.5 billion in fiscal year 1982. That has been trimmed back to $1.8 billion by the Department and OMB.

My colleagues on the Senate Commerce Committee have told me their feelings that the Coast Guard is underfunded, particularly since its budget has not kept pace with the many new responsibilities assigned to it. And I notice there is a recent GAO report that makes the same conclusion.

What are the Coast Guard's true funding needs for fiscal year 1982?

Admiral HAYES. The specific problem I hoped to deal with before the budget crunch occurred, Senator Chiles, in 1982 was to in effect make a quantum jump in our capital plant budget, so that then, over the next decade, hopefully we would at least restore our capital plant to a reasonably modern one, to deal with what I can forecast for you are going to be even greater responsibilities in the next two decades for the Coast Guard, if we are to do those jobs, unless this roles and missions study suggests that the Coast Guard should be divested of a number of things.

I would add to that, incidentally, unless the Congress determines that something should cease being done, I guess I am not persuaded that there is another part of the executive branch of Government that is going to do it more effectively than we are. So I am not sure that that is necessarily a solution. It is just putting the dollar requirement and the resource requirement somewhere else.

But to get back to the point, I was hoping that we could make that substantial increase in capital plant budget in order that we could restore principally our shore and ship capital plant to a reasonable level.

The other part of it, which followed from a zero-based personnel study that we already mentioned this morning, the other part of it, of course, was to enhance our personnel base. The first increment of increase that I was urging had to do with improving the training base of the Coast Guard, which in my judgment is inadequate at the present time.

SUBMITTED QUESTIONS

Senator CHILES. Admiral, I have some other questions that I will submit for the record, and I think other members of the committee might also have questions for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Chiles

Senator Chiles: In a document recently prepared by the Coast Guard, it was estimated that the Coast Guard has approximately $11 billion worth of capital assets. Also in the Coast Guard's budget justification materials from pages OE-4 to OE-7 a substantial amount of workload data is included. For each of the Coast Guard standard operating districts, please provide the Committee with the asset distribution of the Coast Guard by each district, as well as the workload data as currently included in the budget justification broken down by district. It is important for the Committee to have this information in order to respond to comments made with regard to the fairness of the asset and equipment distribution by district based on workload.

Response: Workload and capital assets data is not collected by districts and is not currently available. This information will be compiled and furnished in 4-5 weeks.

Senator Chiles: On standard form 300, page OE-8, the Coast Guard is requesting over $200 million for the object class entitled, Other Services. Please provide an explanation and discussion, as well as a breakdown of what is included in this request.

[The information follows:]

Response:

OTHER SERVICES

Comprised of all contractual services not otherwise classified. The total estimate of $195,924,000 for FY 1982 is based on the actual FY 1980 cost with adjustments for anticipated activity in FY 1981 and FY 1982.

Estimated costs by item are:

Item	Estimated FY 1982 Increase ($000)	Estimated FY 1982 Total ($000)
1. Overhaul of vessels.....	$11,121	$ 53,840
2. Overhaul of aircraft.....	4,909	23,766
3. Repairs and maintenance of shore facilities.....	9,648	46,708
4. Repairs and maintenance of electronic equipment.....	2,756	13,342
5. Repairs and maintenance of aids to navigation.....	951	4,604
6. General engineering design services.....	1,137	5,506
7. Routine recreation services.....	68	333
8. Repair and maintenance of training aids.....	198	960
9. Secretarial and contractual inspection services.....	2,412	11,677
10. Automated data processing services.....	1,692	8,190
11. Other services (1).....	5,576	26,998
Total (2).....	$40,468	$195,924

(1) Includes medical services, storage of household goods, special studies, repair of ordnance equipment, and other miscellaneous items.

(2) Includes budget amendment.

Senator Chiles: On page OE-19 it is stated that 9 HH65A aircraft are scheduled to become operational during FY 1982. What districts will these aircraft be assigned to, and what Coast Guard program missions will they primarily support?

Response: Current delivery schedules call for aircraft one through nine being delivered by September 1981. The first seven aircraft will be used for maintenance and pilot training in the Eighth District. Aircraft numbers eight and nine are the first two of six aircraft which will be assigned to Air Station Brooklyn in the Third District to support primarily search and rescue, enforcement of laws and treaties and marine environmental protection.

Senator Chiles: On page OE-22 of the budget justification, an increase of $650, 000 is requested for ammunition. What is in the base for the procurement of ammunition? What is the value of ammunition currently on hand? What is the annual usage rate of ammunition for training? What is the actual usage rate for mission performance?

Response: The current small arms ammunition and pyrotechnic base is $2.78 million. This base provides for the procurement of ammunition and pyrotechnics and other small arms related items i.e., small arms replacements, parts, tools and accessories, targets, and support material (lubricants and cleaners).

The value of the ammunition currently on hand is approximately $600,000.00. This value reflects a 3 month stock of ammunition and pyrotechnics for support of peacetime training and operational use.

The actual usage rate of ammunition which was expended in direct support of Coast Guard missions, can be expressed in a figure of a few hundred rounds of various calibers (.50 cal., 7.62 mm. and 5.56 mm, .45 cal.). The small arms training program of the Coast Guard is more attuned to the civilian law enforcement community philosophy of requiring its personnel to be qualified in the use of weapons. Therefore, we view our training requirements as a necessary and integral part of our mission tasks.

Senator Chiles: I understand that a number of Reserve Coast Guard personnel were called up for active duty during the Cuban refugee operation last year. To what extent does this on-the-job training reduce the need for Coast Guard Reserve training activities this year? If there is no reduction, why not?

Response: The Coast Guard Selected Reserve is maintained in an active training status with each member participating in 48 drills and 14 days active duty each year. This training schedule is required because these people will fill the leadership positions (Officer and petty officer) needed within the first 30 days of mobilization. Although participation in the callup for Cuban refugee operations satisfied the annual 14 day training requirement for many Selected Reservists in fiscal year 1980, it does not reduce their need for training in subsequent years.

Senator Chiles: In the President's report "A Program for Economic Recovery", the statement is made to the effect that while the usefulness of research and development is beyond doubt, that during periods of austerity research programs can be reduced and postponed. In the context of this statement, what would be the impact of reducing the Coast Guard's request for $30 million for research and development by 20% and 40% respectively?

Response: The proposed FY82 RDT&E budget of $30 Million represents about 1.4% of the total Coast Guard budget. It is strongly felt that an R&D budget in the $50-60 million range is required in the 1980's to meet Coast Guard requirements. The Department of Transportation has recognized the need for and supported increased Coast Guard R&D funding levels. The National Advisory Committee on Oceans and Atmosphere went even further in recommending that the R&D program be funded at a level of 8% of the total USCG budget per year. This translates into an FY82 level of $176 Million for R&D funding.

Coast Guard responsibility has been significantly broadened over the last decade, particularly the 200 mile zone, pollution detection and clean-up, and marine safety. The Coast Guard has absorbed these additional responsibilities with only a 6% increase in personnel since 1973. This is possible, in part, as a result of having the ability to adapt technology to existing and new mission requirements. It is not possible to adequately meet these broadened areas of responsibility by direct extensions of current capabilities. There is a clear need to significantly strengthen development and technology efforts within the Coast Guard to ensure that increasingly vital national responsibilities can be met.

The impact of a 20% reduction would be:

(1) Elimination of all Recreational Boating Safety Research including Safe Powering and Level Flotation standards for boats, and development of personal flotation device carriage requirements.

(2) Elimination of all Broad Program Technology Forecasting and Assessment.

(3) Elimination of all Arctic Pollution Response and Hazard Assessment Modeling research, multi-agency testing of pollution response equipment, and development of equipment and techniques to contain, treat and recover spilled hazardous chemicals.

(4) Elimination of all work to reduce marine worker and ship crew exposure to hazardous chemical vapors, determine the effects of human factors in causing marine casualties, and determine the effect of electrostatic currents in causing cargo hold explosions.

(5) Elimination of multi-mission programs to determine the application of Side-Looking Airborne Radar and Ligher-Than-Air technology to Coast Guard mission needs.

(6) Elimination of research to improve existing icebreaking capability and remove broken ice from clogged channels.

(7) Eliminates work which defines the equipment and mariner interface required for effective Vessel Traffic Services.

(8) Eliminates all work to improve the effectiveness of aids to navigation signals in providing information to mariners.

In addition to the above, a 40% reduction in our R&D budget would:

(1) Eliminate programs to improve search and rescue effectiveness, including Shore-based direction finding development, Boat Crew Performance/Fatigue standards, and development of a Forward Looking Infrared for short range helicopters.

(2) Eliminates all multi-mission evaluation of Advanced Marine Vehicles and pursuit of target of opportunity projects.

(3) Eliminates all work to determine the civil marine applications of the Global Positioning System and develop LORAN-C user guidance equipment for harbor-harbor entrance navigation.

(4) Eliminates all development of equipment and techniques to prevent and reduce oil and chemical discharges and protect personnel involved in the clean-up of hazardous chemical discharges.

(5) Reduces ability to determine the effects of vessel and environmental conditions on collisions, rammings and groundings through simulation.

Senator Chiles: On Monday of this week, an accident occurred on the Overseas Highway near Marathon, Florida on the way to Key West. This accident involved the explosion of a methane truck, damaging the Seven Mile Bridge. As a result of the explosion, the bridge was closed and marine traffic under the bridge was also closed. I understand that the Coast Guard was at the scene soon after the explosion. Has marine traffic under the bridge been fully reopened at this time?

Response: No, the mechanical apparatus which opens the bridge has been damaged. Vessels which can navigate under the bridge's 23 foot vertical clearance are free to do so. No estimated time for completion of repairs has been given to the Coast Guard.

SUBCOMMITTEE RECESS

Senator CHILES. And we thank you very much for your testimony.

And the subcommittee will stand in recess now, awaiting the call of the Chair. Thank you very much.

[Whereupon, at 11:15 a.m., Thursday, March 5, the subcommittee was recessed, to reconvene Tuesday, March 10.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

TUESDAY, MARCH 10, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, the Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Abdnor.

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

STATEMENT OF MASON H. ROSE, CHAIRPERSON

ACCOMPANIED BY:
SALLY FREE, PROGRAM ANALYST
IRENE BOWEN, DEPUTY GENERAL COUNSEL
PAUL MULDAWER, BOARD MEMBER
JUDITH SATINE, PROGRAM ANALYST (BUDGET)
ROBERT JOHNSON, EXECUTIVE DIRECTOR
CHARLES GOLDMAN, GENERAL COUNSEL
CAROL GRANT, BOARD MEMBER
PATRICK CASEY
DAVID CRUZ-VELEZ
DAVID MYERS
WILLIAM PASSMORE
KAY NEIL
JAMES TURNER, U.S. DEPARTMENT OF JUSTICE

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

The first agency we will hear is the Architectural and Transportation Barriers Compliance Board, which has just recently been added to the jurisdiction of the subcommittee.

This is our first opportunity to explore with you what the Board does, how well you are meeting your responsibilities, how the functions of the Board relate to current needs and priorities.

It is our understanding, although we have not yet seen the official papers, that the President's proposed budget includes no funding for the Board, so that makes it doubly intriguing.

The chairperson is Mason Rose.

Mr. Rose, if you would introduce your colleagues at the table and proceed with your statement. Let me assure you that if you want to summarize the highlights of your statement for the record, the statement will appear in total in the record.

Mr. ROSE. Thank you, Mr. Chairman.

Good morning. I look forward to making our first presentation to this committee regarding appropriations and, hopefully, the importance of our small agency in the whole system.

INTRODUCTION OF ASSOCIATES

Briefly, I would like to introduce the board members who are present: Mr. Paul Muldawer, on my right, who is a public member of our Board; Mr. Jim Turner from the Department of Justice, on my left. Back in the audience, David Myers. Next to David is Bill Passmore and Carol Grant, also a member.

Staff members present are Mr. Robert Johnson, on my immediate left, who is our Executive Director; Charles Goldman, just to his left, who is our Chief Counsel; Judy Satine, on my right. Irene Bowen; and next to her, Sally Free, staff members present.

I should like first of all to offer for the Board my written testimony. I believe the original has been submitted.

Senator ANDREWS. Go ahead.

OVERVIEW

Mr. ROSE. Thank you. I will briefly try to highlight the matters set forth in there.

First of all, I would like to just give the committee a brief description of my own background which, I think, characterizes the backgrounds of a lot of our public members and the expertise that we bring to this unique agency which is made up of 11 Federal agencies and 11 public members, an interesting mix which I think gives us a unique ability to do the job which Congress assigned us to do back in 1973.

For the first 28 years of my life I was an able-bodied person, maybe considered physically superior by some. I was a football player in college, captain of my college football team, a tournament handball player, a Marine fighter pilot, and quite an able-bodied person up to my 28th birthday.

I took steps in a building six at a time, not even noticing the steps. One day it was quite a different scene, after I crashed in my Marine aircraft and sustained a spinal cord injury. From that point forward I joined what has been known as the "Invisible Minority," which has become more visible mostly because of removal of architectural barriers.

My background is similar to many of the public members who come to the Board with disabilities and unique understanding of their problems.

Our job in dealing with architectural barriers in the Federal system is

not limited to just wheelchair access and access to those who have mobility disabilities. We also have jurisdiction in areas of communication barriers for hearing-impaired persons, barriers which affect sight-impaired persons, and many other disabilities.

Just a brief history of our Board will help the committee understand the importance of our activities in the Federal system.

In 1968 Congress recognized that the architectural barrier was a very significant impediment to the disabled person enjoying the American way of life. Architectural barriers inhibit the schoolchildren from attending their local school, often bused many, many miles away, simply because in many instances the architectural barriers are there. When the student finally completes his education, he goes to the job place and often finds that even though an employer may be willing to hire him, he cannot, or she cannot, be hired simply because he or she can't enter the facility because of the steps to the front door, there is no ramp, or bathroom doors are not wide enough.

Architectural barriers are a significant impediment to full employment of disabled persons. The architectural barrier is also a very significant factor in public transportation. Often jobs are available in areas of large cities that cannot be really utilized for the reason that public transportation is not available to get to the job place.

Even though many of the disability groups don't agree on every issue that is put forth on behalf of handicapped people, one issue that most of us seem to be able to agree upon is that of the architectural barriers. We come together at the bottom of the steps, so to speak.

In 1968 Congress recognized this problem and passed the Architectural Barriers Act of 1968. That act provided, as amended up until this time, that buildings and facilities which are funded with public moneys, Federal funds, and leased buildings must be accessible and usable by physically handicapped people.

That original act had no enforcement provisions and by 1973 Congress became aware that the Architectural Barriers Act was being mostly ignored by the Federal agencies. They were not implementing the act; they were continuing to build buildings that had significant architectural barriers in place.

So, as part of the Rehabilitation Act of 1973 Congress included section 502. Section 502 created the Architectural and Transportation Barriers Compliance Board. In its early days, it was made up of only Federal members; first of all, eight members and then nine members. It was the job of these nine member agencies to enforce the Architectural Barriers Act, that is, to see that all Federal agencies complied with the Barriers Act.

The problem was that the nine members sitting around the table were from the very agencies that were most guilty of violating the act; they were the agencies that built the most buildings, leased the most buildings, and managed the most buildings. So what we really had was a fox guarding the chickenhouse and it was not working.

The first thing that Congress did to try to beef up the Board and cause it to become more of a compliance agency was to create the National Advisory Committee.

The National Advisory Committee was made up of 16 professionals, disabled people, around the country, to advise the Compliance Board on what the Advisory Committee felt was their responsibility. This committee had a 2-year life. The first year there were no funds to meet regularly. The second year it was very active.

That committee advised the Board on many issues, but the experience was that since the Board was still composed of those with really a conflict of interest, which was so difficult to deal with, they simply could not function, and the advice was mostly ignored.

Again, Congress recognized this problem and in 1978 further amended section 502 to strengthen it once again by adding one more Federal member, the Department of Justice, bringing it up to 10 and adding 11 public members to be appointed by the President. When HEW split up into HHS and Education it added another Federal Board member, so the total number of Federal Board members was then 11. The President appointed the 11 public members in December of 1979.

So, for almost a year the Board was without a quorum and the staff acted really on the advice of the ad hoc committee, formerly the old Board.

The first meeting of the new Board was in January 1980. At that time it came to the attention of the new Board members that GAO had made some very strong recommendations that the Board get on with the job Congress had assigned it in developing minimum guidelines. The minimum guidelines that Congress placed upon the Board to develop were for the purpose of causing uniformity in the Federal system.

Under the Architectural Barriers Act there were four of the Federal agencies which had the right to set standards—GSA, the Postal Service, Department of Defense, and HUD—each of them having some unique responsibilities, and I assume that is why Congress gave them each a right to set standards. The problem was that each of these standards varied in some way. For the architect, for the builder coming into the Federal system to build buildings, there was a lot of confusion because there were four different Federal standards.

Congress recognized this need for uniformity and placed on the Board the duty of developing a minimum guideline which all of the Federal standard-setting agencies must meet. So the year of 1980 was mostly consumed with the activity of developing a minimum standard.

In January, when the Board first met, the Board set a time schedule for developing a guideline which would be promulgated in December 1980, and the Board met regularly; the staff worked diligently, and in December 1980, the Board was prepared to adopt its minimum guideline after having gone through a very extensive regulatory process.

Because of concerns expressed by the White House and by OMB and others, there was a 1-month delay when the entire regulation was submitted to the Department of Justice, Office of Legal Counsel, to determine, first of all, whether the proposed minimum guideline was an appropriate minimum guideline and whether it was within the authority of the Board to promulgate.

The Department of Justice, with a very few exceptions, certified the minimum guideline as a guideline and within the jurisdiction of the Board to adopt and promulgate.

On January 6, 1981, the Board at its meeting met and adopted the guideline and it was published in the Federal Register on January 16, 1981.

The Board has not met since that guideline was adopted. We will be meeting for the first time as a board tomorrow.

The mission of the Board is much broader than simply enforcing the architectural barriers law through its powers of citation. First of all, in the history of the Board it has been our experience that we are receiving somewhere around 150 or 160 complaints a year. Generally, the Board through its staff acts on complaints rather than going out and looking for violations—150 complaints is really not many complaints but because of the nature of the system we feel that we are probably not getting the majority of the complaints.

If a disabled person goes to a given facility, finds that there was an architectural barrier there which either inhibited their entry to get service or their employment, he would usually report that circumstance to the facility, not to us, because we are very small. They don't know about us. So the complaints very often end with the agency that has the problem and they don't get to us.

For those consumers who have learned about us and the complaints do get directly to us, we get 150 or 160 a year and we act on those complaints.

We have been very successful in negotiating resolutions of the complaints rather than going through a full compliance procedure. Our experience has been that in only 2 percent of the complaints we were unsuccessful in negotiating a solution and actually went to litigation. There is a total in our history of eight litigation cases. Six were resolved successfully; two are still pending.

Again, we are very successful, because of our ability to cause compliance, to negotiate a successful resolution in most cases.

In addition to our actual compliance procedures, one of our major missions right now is technical assistance and outreach. We have a contract right now where our staff is working with a major contractor. We are going out in all of the 50 States meeting with the persons responsible for the codes in those States, to educate them about Federal standards, learning about their standards and, hopefully, achieve some uniformity throughout the 50 States.

I should point out that since the adoption of our guideline on January 6 of this year, the State of Delaware has already adopted our guideline as its State standard, with a few very minor exceptions.

There has been a lot of concern about the cost that our minimum guideline might create for the taxpayer in nationwide complaince efforts. Cost information is rather difficult to come by. First of all, Federal regulations require the four standard-setting agencies to keep cost information. Our Board, in developing these guidelines, sought to obtain from the four standard-setting agencies the cost information which they had accumulated over the years. Only the Department of Defense responded and it appears that only the Department of Defense has kept records pursuant to the regulations which require such recordkeeping.

So, the only really valid information that is available to us and to anybody that I know about is that which the Department of Defense

supplied. They told us—and this was verified from other sources—that in the original construction if the architectural barrier requirements are understood and incorporated into the original design of a facility, the additional cost for incorporating these features, generally speaking, will be one-half of 1 percent of a project's cost, or less.

With a very insignificant amount, we can get these features in in the planning stage of the building. That is why our technical assistance is extremely important, because if we can educate the Federal agencies as to what their responsibilities are, if we can educate the builders, contractors and code people as to what their responsibilities are, the cost of accessibility is really de minimis.

Accessibility becomes more expensive when we are in the retrofitting area. A lot of people, I think, misunderstand the guidelines regarding retrofitting. It does not require that all old buildings be retrofitted and brought up to standards. What it does require is when an older building is remodeled or altered in some manner then that specific area of alteration or remodeling be brought up to standard, not the whole building but the area where they are going to do the remodeling.

It further requires that an accessible path of travel will be made to the remodeled area, and key facilities that serve that remodeled area, such as drinking fountains, bathrooms, be brought up to standards. Hopefully, in the many years to come each building will either be remodeled or altered and ultimately all buildings will become accessible.

The cost of retrofitting is another area of significant concern. We have seen an awful lot of information in the press about how it will cost billions of dollars for the taxpayers and it is very surprising to me, as one who had been involved with this agency since 1976, where they get all this information, because we have tried very diligently to get the information and, again, the Department of Defense is the only one that has kept any records and they have submitted their information to us, and they have told us that based on the records which they have kept, that the cost of retrofitting is an insignificant cost in view of the overall project cost on most projects.

They tell us on most projects that the retrofitting costs are $10,000 to $20,000, and generally speaking it will range somewhere from one-half of 1 percent up to 16 percent of the overall project cost in a retrofit. So, again, the only agency that has kept any cost information tells us that they do not deem it a significant cost factor.

There has also been concern expressed that the new minimum guideline in and of itself will create significant additional expense. We recently went back to these four standard-setting agencies and asked them to compare the new minimum guideline with the standard which they were presently enforcing. Once again, we have gotten the fullest report from the Department of Defense, which has been keeping records. The Department of Defense has compared the minimum guideline with their existing standard and they have told us that based on their review and comparison that it is their opinion that the new minimum guideline will not cost them any additional funds to enforce in comparison with what they have been enforcing all along. In fact, the preliminary information which they gave us says that they believe it will save them about $134,000 per year. That is not very much money, considering the size of their construction projects.

I should point out that they are the largest builder of buildings. They have 60,000 such buildings, so the information we get from them, we believe, is quite significant.

I think it is important to focus on the benefits that the removal of architectural barriers is to this country. We are told from the best information we are able to gather, Secretary Califano told us, that there were 35 million disabled Americans. President Reagan in his speech at the White House on February 6, when he recognized America's participation in this International Year of Disabled Persons, that there are 35 million disabled Americans who are one of America's most overlooked resources, and that the administration and the private sector should work together in opening up the national community so that this resource could be fully utilized.

I think that is the very job that we do.

In the scheme of things we are extremely small. Our appropration this year is $2.37 million. Our proposed budget for fiscal year 1982 was $2.37 million, and I understand now from the comments of the chairman that it is being recommended that this budget be eliminated as, I assume a cost effective budget cut.

I believe that it would be a very expensive cut from our budget. First of all, every disabled person we can put to work gives us double savings. First of all, if we can take that person off disability payments, off the welfare roll, and keep him from being a tax spender and put him to work and make him a taxpayer, that is a tremendous savings to the American taxpayers. I think that is where the real dollars are. I think if you want to talk about billions of dollars of cost, it is in that area.

Let me use myself as an example. I was injured in a crash of an aircraft in 1965. I went to law school in 1966 and by 1970 I was out of law school and became a practicing lawyer. From 1965 to 1970 I was receiving social security disability payments. At the time I went off those payments they were over $500 a month. I think if I were still on them, they would now be around $700 a month. By going back to work I have saved the taxpayer $700 a month.

I have been practicing law successfully for 10 years and I tell you, I will be a very significant taxpayer in 1980.

If you multiply my experience by several hundred thousand people, it is very easy to see how important putting disabled people to work is.

My experience in becoming a disabled person and trying to get back into the work market, I think, is typical of a lot of us who have had similar experiences. I went to law school. I went to the University of Southern California where I wished to go to law school. I found there were 32 steps to the first floor, 20 steps to the second floor where all the classrooms were, and I was excluded from that law school. I finally went to law school where they blasted out some steps and allowed me to come in and allowed me to enter this profession.

Even getting an education is a very significant factor in the removal of architectural barriers and being able to go to work someplace once you have gotten your education and your experience.

So, the employment factor alone is extremely significant in talking about cost. Also, if the Architectural Compliance Board goes out of existence for lack of budget, the 1968 act will not go out of business. The

Architectural Barriers Act of 1968 will still be there. The problem will be that there simply will not be an enforcement agency.

Our experience, Congress' experience, is that if there is not an enforcement arm, the Federal agencies will not enforce the law. We have seen that since 1968 even though we are in place and doing our job. Many of the Federal agencies are still not enforcing the act nearly to the extent that is required, so if we go out of business the only thing that is left is leaving enforcement to the private sector. That could be extremely expensive.

This requires an individual then, instead of going through an administrative process, that is, reporting the complaints to the Board, which could make a formal resolution of the matter in 98 percent of the cases, to go to litigation. The disabled person goes to his lawyer; the lawyer files a complaint against the agency and immediately you are in the litigation arena, a very expensive process.

Also, the attorney's fees will be paid to the prevailing disabled person.

The problem is not just limited to those in wheelchairs. Persons in wheelchairs are really quite a small segment of the population of 35 million. Added to that 35 million are 15 percent of this Nation's population who are 65 years old or older. This is a separate population of about 25 million people. Very young people are also benefited by the fact that stairs are removed and access is made available. A pregnant woman in her last couple of months of pregnancy very much appreciates a ramp and appreciates accessible transportation so that she does not have to step up 18 inches to get in a local bus.

So, it is a very large benefit accruing to the public. For a budget of $2.3 million and for a staff, a very active staff, of 24 people, I think that the job that we do is extremely significant for a very, very small cost to the American taxpayer and I think we save the American taxpayers billions of dollars rather than being a cost to the taxpayer for that amount of money.

Thank you, Mr. Chairman.

PREPARED STATEMENT

Senator ANDREWS. Your statement will be put in the record at this point in its entirety.

[The statement follows:]

STATEMENT OF MASON H. ROSE

As chairperson of the Architectural and Transportation Barriers Compliance Board (ATBCB), I am pleased to address the Subcommittee on Transportation on the subject of the Board's appropriations. I welcome this opportunity to discuss the accessibility of federally-funded buildings to physically handicapped persons and the Board's role in improving the Federal government's record.

There are an estimated 35 million physically handicapped and twenty-five million elderly American citizens. In twenty years there will be one chronically ill, over-sixty-five, or disabled citizen for every able-bodied person in this country. If our nation's buildings are not designed to be accessible, they cannot be entered or used by these and other citizens: persons with disabilities of sight, hearing, and incoordination; persons in wheelchairs; people with emphysema; parents with baby strollers; and people temporarily disabled with a broken leg or even heavy packages.

Twenty percent of all families on welfare rolls are there because the head of the household is disabled. Obviously a disabled person cannot work if he or she cannot enter or move about in the buildings where the jobs are, or cannot travel in an inaccessible community.

President Reagan, in a revised pre-election response to a questionnaire from the American Coalition of Citizens with Disabilities, said:

> ...disabled persons...can and should be helped to become taxpayers rather than tax users...and, in the process, this will save the Federal Government, and thus the citizens of this country billions of dollars annually...An accessible America would be a clear goal of my administration.*

Through the construction of new accessible buildings, and gradual incorporation of access features as existing buildings are altered, many disabled persons will be able to work and to decrease their dependency on Federal support. For example, the government receives a double pay back for every Supplemental Security Income recipient who gets a job in an accessible

*Areas of Concern to Disabled and Elderly American Voters, November 1, 1979, page 1.

building: that person not only ceases to draw SSI payments, but also begins to pay taxes. Estimates made by the private sector indicate that this saving could be in the billions of dollars.

Simply put, accessibility pays.

Disabled people often point out that others are only TAB's--Temporarily Able Bodied. An able-bodied person may be thrown out of work by an accident or heart attack, keeping him from climbing the stairs in the building where he works. A person who develops emphysema may have to stop working if her building entrance is several hundred feet from her parking space.

In 1968, recognizing that the Federal government itself was building barriers into its facilities, and intending to prevent further construction of inaccessible buildings with Federal funds, Congress passed the Architectural Barriers Act. It requires four agencies -- the General Services Administration, U.S. Postal Service, Department of Housing and Urban Development, and Department of Defense --to set accessibility standards for buildings which are to be designed, constructed, altered, or leased with Federal funds. These agencies are to establish a system of continuing surveys and investigations to ensure compliance with the standards.

Five years after the Barriers Act was on the books, Congress established the Architectural and Transportation Barriers Compliance Board under Section 502 of the Rehabilitation Act of 1973, as an independent agency to enforce the Architectural Barriers Act. Congress had concluded that an independent compliance agency was necessary because Federal agency compliance with the Act had been "spotty." Congress has strengthened the Board several times since its creation seven years ago.

The ATBCB has a unique composition and mandate. It is currently composed of eleven Federal agency heads (or their Executive Level IV designees) and eleven members of the public, both handicapped and able-bodied, appointed by the President. Through Board activities the public and private sectors are

working together to ensure that federally-funded buildings are accessible to persons who are elderly, permanently disabled, or temporarily disabled.

The eleven agencies represented on the Board include those with major Federal construction and leasing responsibilities, grant agencies, and those with programs affecting handicapped persons. The public members include persons who are blind, deaf, and mobility-limited; state employees; attorneys; persons with a wide range of technical expertise.

As originally created in 1973, the Board was composed solely of eight Federal members. It was to ensure compliance with the standards, investigate barriers, and report its findings to Congress. Rather than relying on voluntary compliance with the Barriers Act, Congress granted the Board the authority to issue orders of compliance after proceedings before an administrative law judge. In 1974 Congress gave the Board the authority to withhold or suspend Federal funds. The first staff was hired in 1975, and in 1976 the Board began acting on individual complaints from the public. The vast majority of complaints have been resolved amicably. A very small number of administrative proceedings has been initiated, and all have been successful. The potential for enforcement proceedings by an independent prosecuting force has served as an institutional incentive for compliance.

In 1978 Congress amended Section 502 to include a total of eleven agencies and to add eleven presidential appointees, five of whom must be handicapped. The Board was directed to issue minimum guidelines and requirements for the accessibility standards of the four agencies and to provide technical assistance on architectural, transportation, and communication barriers under Title V of the Rehabilitation Act. The Board was also directed to ensure the accessibility of public conveyances, including rolling stock, and made a member of the Interagency Coordinating Council under Title V. The first public members were appointed in December 1979. President Carter appointed Max Cleland, Veterans Administrator, as chairperson. By law, subsequent chairpersons are elected by the members. I was chosen for that position in December 1980.

President Reagan has said that the government should work for the people, not the other way around. I firmly believe that the Board is a visible, key example of government working for the people. In fact, the Board is a unique agency: "the people" have membership on the Board on an equal footing with agencies.

I also feel that the Board has made important achievements, especially within the last year. Its accomplishments are particularly significant in view of the comparatively miniscule staff and budget: we have a staff of only 24; our FY 1981 appropriation and proposed FY 1982 appropriation was $2.3 million. The Board's authorization extends through FY 1982, not to exceed $3 million annually. By comparison, our annual budget would run the General Services Administration for 1-1/2 days and the Department of Transportation for only 10 minutes.

An overview of our activities will make clear that the Board's activities certainly benefit the Federal government and the country in an amount which exceeds the costs many times over. Of course, the human benefits are immeasurable.

THE BOARD'S MISSION: ENSURING COST-EFFICIENT ACCESSIBLE CONSTRUCTION

Underlying the Board's various activities--promoting consistency of accessibility standards, technical assistance, compliance, investigation of barriers--is a commitment to ensuring cost-effective design and construction of buildings. As I have suggested earlier, the paradox of the cost of accessibility is that to do nothing--that is, not to incorporate accessible design--costs more.

All indications are that accessibility adds little, if any, cost if it is incorporated at the design and construction stages. Studies have found it costs only 1/2 to 1 percent of the cost of constructing a new building to make it accessible.*

* Report by the Comptroller General, Further Action Needed to Make All Public Buildings Accessible to the Physically Handicapped, FPCD-75-166 (1975); Department of Housing and Urban Development, The Estimated Cost of Accessible Buildings, HUD-PDR-398 (April 1979); HUD, A Cost-Benefit Analysis of Accessibility, HUD-PDR-403 (April 1979).

In 1975 the government estimated the costs of altering selected buildings to make them accessible. It was estimated that project cost would be increased by .06 to 2.4 percent. A HUD-sponsored study found that retrofitting an existing building to make it accessible could cost from .1 percent to more than 16 percent above original construction costs.** However, the cost-estimating procedure did not estimate the cost of removing barriers if the building were being altered for reasons other than accessibility. The Barriers Act requires only that when alterations are made, then these alterations should be accessible.

Mainstream, Inc., a consulting firm, estimated that it costs about one cent per square foot per month to make most existing facilities accessible, compared to a monthly cost of twelve to thirteen cents a square foot just to polish floors and clean carpets.

BOARD'S MINIMUM GUIDELINES AND REQUIREMENTS

The Board's major activity for FY 1980 and 1981, apart from ongoing compliance and public information functions, was the establishment of the minimum guidelines and requirements mandated by the 1978 amendments to the Rehabilitation Act. The guidelines and requirements, published in January 1981, are to be used by the four standard-setting agencies to revise their existing standards. At first glance, this activity may appear to add to the proliferation of confusing and burdensome Federal regulations. In fact, the opposite is true: the revision of currently conflicting standards will eliminate inconsistency among agency standards and confusion among recipients.

The guidelines are intended to create a "baseline" for accessibility and introduce some regularity to the muddle of inconsistent interpretation and application of accessibility requirements. The standards previously issued by the four agencies varied greatly with respect to the minimum degree of access required, the specific technical requirements, and interpretation of the Barriers Act. For example, the Postal Service interprets the Act to exclude leased buildings. GSA, on the other hand, interprets the Act to

** HUD, Id.

require leased buildings to be accessible. While the guidelines clarify and standardize requirements, at the same time they provide sufficient flexibility to encourage creative solutions to accessibility challenges at individual facilities. This approach provides cost-effective relief from conflicting, unclear, and overly specific standards.

It is expected that this benefit will be felt throughout the Federal government and at the state and local level. The Interagency Coordinating Council (which coordinates activities under Title V of the Rehabilitation Act) has recognized the importance of having one accessibility standard applied consistently by all agencies under section 503 (applying to government contractors) and 504 (applying to federally-assisted programs). In March 1980 the Council voted to recommend that agencies which did not yet have 503 and 504 standards (the vast majority of agencies) adopt the Board's proposed rule as an interim standard.* In addition, in the context of section 504 the conferees on the 1978 Rehabilitation Act amendments said that they "...would like to express the opinion that common standards should be applied by all Federal agencies and would encourage the use of the expertise that might reside on the Board and rely upon its recommendations."** The state of Delaware recently adopted the Board's guidelines, with only minor changes, as the state's accessibility code. Several other states followed our rulemaking proceeding closely and are interested in adopting the guidelines. They are aware that in developing the rule the Board drew on the best features of various state codes and the revised 1980 consensus standard of the American National Standards Institute.

There is no doubt that the Board's guidelines and requirements have aroused controversy. But in my view, the controversy arises from several misunderstandings. First, some have claimed that the Board has zealously "gone too far," and that the guidelines' requirements are unrealistic. Yet the final rule resulted from compromises reached towards the most cost-effective way of meeting the requirements imposed by the Architectural Barriers Act itself. For example, the Barriers Act, not the Board, requires the government to lease only accessible buildings. But the minimum guidelines

*Minutes of the Interagency Coordinating Council, March 15, 1980, at 7-8.
**H.R. Rep. No. 95-1980, 95th Cong., 2d Sess. p. 90-91.

attempt to accommodate several agencies' practical concerns in two ways: (1) by applying less stringent standards to leased buildings and (2) by permitting agencies to lease inaccessible space if they certify, and later report to the Board, that accessible space is unavailable in a remote area or in an emergency.

Second, some people have the mistaken impression that the guidelines require existing buildings to be modified for the sake of providing accessibility. But the guidelines require only that if a building is modified for other reasons (such as modernization), then accessibility features must be incorporated into the modifications. The Board is not requiring that all buildings be made accessible by a certain date; the Barriers Act and the guidelines are prospective only.

Third, some have claimed that the guidelines will cost "billions of dollars," and have cited "worst case" examples. Certainly there will be some difficult cases where incorporating access features into existing buildings will create hardships. The Act therefore permits the standard-setting agencies to grant waivers and modifications on a case-by-case basis when necessary. In addition, the charges of impending cost burdens have not been supported by facts. Furthermore, many initial estimates of future costs of "retrofitting" for accessibility -- made by those on whom the requirements to retrofit were being imposed -- have been later found to be grossly exaggerated. For example, higher education groups' original estimates that it would cost $3 billion to $8 billion nationwide to make campuses accessible under Section 504 were revised to $561 million when the requirements were better understood.

During the development of the minimum guidelines and requirements, the Board requested the four standard-setting agencies to supply basic building inventory and cost data. Three of the four agencies -- GSA, USPS, and HUD -- were able to provide only limited inventory data and no cost data on their construction practices. The agencies said they do not keep this type of information on file and would be unable to collect the required information unless they received additional funding.

Only the Department of Defense, based on a survey of its own facilities, responded to all questions by the Board asked. The Department concluded that the accessibility requirements of the proposed rule would not increase the construction and alteration cost of its buildings or facilities above its present requirements. Defense indicated that the Board's final rule should actually decrease the Department's expenditures for accessibility in some instances.

GSA's 1969 Barriers Act standards required that records be maintained by Federal agencies showing buildings subject to the Act and actions taken to make these buildings accessible to handicapped persons. In its 1980 report to Congress, the GAO found that the agencies have neither created nor maintained adequate records and data collection systems thus making it extremely difficult to determine the extent to which the agency is implementing the requirements of the Architectural Barriers Act.

The Board is working with the Office of Management and Budget to obtain the type of cost data and other information necessary to make decisions concerning the benefits of certain accessibility provisions. (See Attachment A.)

One of the Board's major activities in FY 1981 will be working with each of the four standard-setting agencies as they revise their Barriers Act standards.

TECHNICAL ASSISTANCE

A second major activity for FY 1981 and 1982 is targeted technical assistance. Section 502 of the Rehabilitation Act requires the Board to provide technical assistance with respect to overcoming architectural, transportation, and communication barriers.

Recipients of Federal construction funds have experienced problems in obtaining assistance from the four standard-setting agencies, particularly in the interpretation of the accessibility standards and their relationship to the many other promulgated standards. Obviously, the most cost-effective

way to provide technical assistance is through coordination and monitoring by a central entity.

The Board's technical assistance function involves three activities:

Outreach to industry, state officials, and others

This is an extensive outreach program targeting influential groups in the building process, such as model and national code groups, State and local code officials, building product manufacturers, building owners and managers, and contractors. From March 1981 to June 1982 the Board, along with the National Conference of States on Building Codes and Standards, Inc., will be conducting a series of seminars in each of the 50 States. The objective of the seminars is to promote consistent national accessibility efforts by providing technical materials which not only fully explain the minimum guidelines and requirements for accessibility standards, but also illustrate the difference between each State code and the Federal minimum requirements. It is the intent of these seminars to foster a strong working relationship with the model code groups and State and local representatives. This relationship will, in turn, provide an avenue for future communication and resolution of accessibility problems.

The response to this project from the States, each of which is co-sponsoring the seminars, has been overwhelming. The first seminar is scheduled to be held in Washington, D.C., later this month.

Assistance to Federal agencies

In 1976 the Board issued guidance to Federal agencies outlining their responsibilities for establishing their own internal, decentralized compliance systems. These systems will help catch costly accessibility mistakes at the design stage and ensure consistent application of design standards throughout the construction process. Although the quality of compliance with prescribed standards is generally a responsibility of the individual agency, the Board's role is to establish a system of monitoring and to assess the coverage of agency compliance plans and their conformity with the Guidance System requirements. This centralized function of oversight and guidance assists the Board in reporting to the President and Congress the overall quality of compliance in the Federal Government.

Only one agency, Health and Human Services, has partially implemented an internal compliance system. The Board expects to help install self-compliance systems in four of the 72 Federal property-holding agencies in FY 1982.

General public assistance

The Board's Public Information Office answers several hundred requests for information weekly and disseminates publications and other information through mailings, speeches, and convention exhibits. We plan to respond to 17,500 inquiries next year.

OTHER FY 1982 ACTIVITIES

Compliance - The Board plans to identify and inspect approximately 200 federally-owned, leased, or assisted facilities. After inspection, agencies are notified of deficiencies and required to develop action plans. This is a continuation of an earlier larger-scale effort.

Enforcement - The Board will continue to respond to complaints, to attempt to resolve them amicably, and to litigate those which cannot be resolved. We anticipate 250 complaints and 20 site inspections.

Policy and Program Development

Communication barriers: The 1978 amendments to Section 502 add to the Board's functions the responsibility to investigate and examine alternative approaches to communication barriers. To our knowledge, no other agency is currently investigating, for example, means of providing cost-effective visual alarm systems and telecommunication devices for deaf persons, and tactile warnings for blind persons. The Board plans to conduct investigations and hold hearings in FY 1981 and 1982.

Transportation: Before 1978, the Board's enforcement responsibilities in the area of transportation were limited to ensuring that newly constructed or altered fixed facilities (e.g., train and subway stations) were accessible. The 1978 amendments to the Rehabilitation Act direct the Board to "ensure that public conveyances, including rolling stock, are readily accessible to, and usable by, physically handicapped persons." The

amendments obviously intend to confer some responsibility with respect to transit vehicles such as train and subway cars and airplanes. The Board is only beginning to explore the nature of this mandate. The Board expects to examine the responsibilities of other agencies in this area before determining its own policy and oversight activities. We recently added to the staff a leading expert in accessible transportation to initiate these activities and to prepare for Board hearings on transportation issues. The Department of Transportation and Related Agencies Appropriations Act of 1981, signed by President Carter on October 9, 1980, also expands the Board's transportation-related responsibilities. It incorporates by reference the "Zorinsky Amendment," section 118 of S. 2720. Under the Zorinsky Amendment agencies may in effect seek a waiver from the provisions of the Department of Transportation 504 regulation by providing an alternative transportation system. The Secretary of Transportation must approve the plans, and the Board must concur in the approval. A proposal for establishing criteria and procedures for concurrence will be before the Board at their meeting this week.

Responsibilities under proposed Public Buildings Act of 1981

The recently-introduced Public Buildings Act of 1981, S. 533, would increase our responsibilities in several ways. Most importantly the Board would approve or disapprove the four agencies' revised standards for consistency with its minimum guidelines and requirements, and the Board would be required to make certain findings before an agency could grant a waiver or modification.

NEED FOR THE BOARD

The Board's composition, expertise, and experience enable it to perform functions which cannot be performed by the private sector or other agencies. Information gathering and dissemination can best be accomplished at the Federal level. No individual state or private entity has the resources, expertise, or experience to conduct necessary research, to gather results of others' research, and to ensure coordinated accessibility efforts. In order to carry out Congress' desire to eliminate inconsistencies it is crucial that one central entity provide consistent policy guidance, interpretation, and technical assistance to Federal agencies and others.

The Board discourages the duplication of efforts which would result if each of the Federal agencies developed its own technical expertise and advice which may contradict that given by other agencies.

Currently only one of the Board members agencies has an office devoted to building accessibility, with full-time technical personel. The Department of Defense has stated that if technical services and research were not provided by the Board, the Corps of Engineers would be obligated to set up an office for technical assistance and research.

Without the Board's persistent compliance and enforcement efforts, the Architectural Barriers Act and Section 502 of the Rehabilitation Act would be nullities. Congress established the Board because it saw the need for an independent compliance unit to be a "watchdog" over Federal accessibility efforts. Congress has repeatedly acted to strengthen the Board's compliance potential as experience has again and again shown the difficulties of achieving voluntary compliance with the Barriers Act by agencies and recipients. Most recently, the General Accounting Office in a 1980 report stressed the absence of adequate agency compliance and the need for a strong, independent Board.*

Because of the Board's primary responsibility for enforcing the Barriers Act, none of the agencies has staff working full-time on compliance. Without the Board's efforts, some of these agencies would be required to hire additional staff. Several of the agencies have stated there is a definite need for the Board to serve as a central agency to coordinate accessibility compliance by all the agencies. No other agencies have the statutory authority to initiate administrative litigation of Barriers Act complaints or to enforce compliance orders in court.

Perhaps most important, no other agency addressing disability issues has members from both the Federal agencies and the citizens most affected by its actions.

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*Report by the Comptroller General, Making Public Buildings Accessible to the Handicapped: More Can Be Done, FPCD-80-51 (1980).

ALTERNATE BUDGET LEVELS AND EFFECTS ON PROGRAM ACTIVITIES

The Board has never been funded at a level even near its authorized level, and as a result has suffered under severe personnel constraints. For most of our history, we have had more Board members than staff. Several agency and public members have commented that they have never seen a harder-working, more productive staff. We lost twenty percent of our positions--which had never been filled--due to the recent retroactive hiring freeze. We have not carried out some of our statutory directives because of lack of resources. Simply put, we have no "fat" to trim.

Obviously, then, any cut in our funding would have a more severe impact on us than on other agencies. However, recognizing the desire to trim Federal spending, I have outlined for the subcommittee ways in which cuts of various amounts--10, 20, and 50 percent--could be instituted. Details are included as Attachment B. My statements should not be taken as official Board policy, however. I have not had an opportunity to discuss this fully with the other members. We meet only once every two months and will be meeting this week.

In closing, I must acknowledge that the Board has been controversial. As we are all seeing now, as we observe efforts to cut Federal spending, any effort which strays from the norm to the degree necessary to produce a real effect will be controversial. There is, of course, always room for improvement. In that spirit, the Board would be pleased to work with Congress if it wishes to explore changes in the Board's structure or responsibilities. We urge you to do so, however, through reconsideration of the two statutes under which it operates. Changes in our funding levels, if not considered in this context, might well lead to short-lived gains but long-term losses.

Board funding at $2.374 million is one step towards implementing the Administration's stated policies. President Reagan, when he signed the International Year of Disabled Persons proclamation on February 6, 1981, said,

I'm proud to participate in this International Year to help increase the awareness of each and every one of us, committed that we'll make that extra effort in 1981 to assist our disabled in moving into the mainstream of life. It takes so little and it offers the promise of so much because our most valuable resource is people.

America should be a world leader in providing opportunities for its handicapped citizens. It is important to continue to support an agency which can play a pivotal--and unique--role in ensuring these opportunities. President Reagan and Congress have made a strong pledge to accessibility; the Board has the commitment to fulfill that pledge.

I would be pleased to answer any of your questions.

ATTACHMENT A

Copy of letter sent to:
Secretary of Defense
Secretary of Housing and Urban Development
Administrator of General Services
Postmaster General

March 2, 1981

Dear Mr. :

The Office of Management and Budget (OMB) has formally requested and expects the heads of each of the four standard setting agencies to provide the Architectural and Transportation Barriers Compliance Board (Board) and Dr. James C. Miller, III, Administrator of the Office of Information and Regulatory Affairs, OMB, an estimate of the total costs that will be incurred each fiscal year by your agency as a result of the Board's minimum guidelines and requirements for accessibility standards. This estimate is to be based on the difference in costs, if any, between your agency's existing standard and the Board's minimum guidelines and requirements. You are also expected to provide the factual basis and background information necessary to justify your response. The estimates are to be provided to the Board and to OMB on or before March 15, 1981.

OMB does not expect that additional information or data will have to be collected to comply with this request. The 1969 Federal Property Management Regulations 41 C.F.R. §§101-19.606 and 101-19.607 require that records be maintained by Federal agencies showing the buildings subject to the Architectural Barriers Act and the actions taken by the agency to make these buildings accessible to handicapped persons. Additional information should also be available as a result of the requirements imposed by OMB circular number A-11, 13.5(h) and through the records required to be kept by your agency by the Architectural Barriers Act of 1968, as amended.

To facilitate your response to this request, Board staff has prepared a comparison of each of the existing access standards issued by the four standard setting agencies with the minimum guidelines and requirements. We ask that you go through this comparison and provide the Board with a list of all provisions in the agency standard which are not as stringent as the minimum guidelines and requirements. Please provide this information to the Board by March 6, 1981.

In addition, the staff has prepared a list of questions for the purpose of defining the number and types of projects that are undertaken by each of the four standard setting agencies each year. The questions are divided into four categories: new construction, additions, alterations, and leases. These groups of questions are divided into two groups: projects which cost more than $500,000 and those costing less than $500,000. Leased facilities are also divided into two groups: those in which the entire facility is leased and those in which only a portion of the facility is leased. To facilitate the answering of some of these questions, a summary of your previous responses to the Board is enclosed. If your agency foresees that construction, alteration or leasing practices will change dramatically in the future, those projected changes should be described in detail. The staff requests that answers to these questions be provided by March 10, 1981.

The Board staff also asks that each agency submit typical floor plans used during fiscal years 1975 through 1980 for the following size facilities: (1) under 10,000 square feet; (2) 10,000 square feet to 50,000 square feet; and (3) over 50,000 square feet. Plans for new construction, additions, alterations, and leasing projects should be included. The cost and location of the facility should also be noted. We request that these plans be submitted to the staff by March 6, 1981.

The Board makes this request for assistance from your agency pursuant to §502(f) of the Rehabilitation Act of 1973, as amended. The information provided by your agency will be used by the Board to respond to OMB, Congress, and others and to carry out the Board's required functions.

Any additional information that can be supplied by the agencies regarding cost data will be appreciated. We look forward to working with your agency in compiling this very important information.

If you have any questions, please call Ms. Sally Free at 245-1801.

Sincerely yours,

Mason H. Rose, V
Chairperson

ATTACHMENT B

ALTERNATE BUDGET LEVELS AND EFFECTS ON PROGRAM ACTIVITIES

If the ATBCB's FY 1982 funding level were reduced by 10 percent, we could gather no information on attitudinal barriers as the Rehabilitation Act directs us to do. We would sharply curtail the investigation and research of communication barriers. We would not conduct public hearings on the subject of communication barriers scheduled for 1982. Finally, the number of public buildings to be surveyed for accessibility would be reduced 50 percent by 100.

A 20 percent reduction of the ATBCB FY 1982 funding level would affect all major Board functions. There would be no surveys of buildings for accessibility. There would be no investigation and research into

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communication barriers. There would be no public hearings on transportation. The Board's response to public and consumer inquiries, as well as participation in technical and consumer organization events, would be reduced significantly. The number of site investigations of complaints could be reduced by as much as 25 percent. The Board anticipates a 20 percent reduction in its research activities into areas for which accessibility requirements have not been developed.

A 50 percent reduction of ATBCB funding for FY 1982, in addition to the previously mentioned program cutbacks, could preclude any technical research. The two-year contract for scheduled technical assistance workshops and seminars for state building code officials, already underway, would be cancelled. The ATBCB capability to respond to public inquiries and requests for technical information would be cut by 25 percent.

Following is a summary of cuts which could be made in each program activity by appropriation level. An appropriation of $2,374,000, the same as fiscal year 1981, would support 30 positions, the same number of positions planned (but not filled) for FY 1981, and procurement actions. The percentage cuts are based on these figures.

The functions of the Board are divided into five broad areas: (1) compliance, (2) enforcement, (3) technical services, (4) policy and program development, and (5) administration.

1. Compliance. The overall objective is to ensure that accessibility and usability are achieved in Federal and federally-funded facilities subject to the Architectural Barriers Act. The following activities are planned for 1982:

A. Help install decentralized accessibility self-compliance systems in 4 of the 72 Federal property-holding agencies which have programs subject to the jurisdiction of the Board. These systems will monitor agency facility compliance with accessibility standards.

B. Identify and inspect approximately 200 federally-owned, leased, or assisted facilities within a specific targeted category. After

inspection, agencies are notified of deficiencies and action plans responding to these deficiencies are required.

Effect of reduced appropriations

10% reduction--50% fewer buildings surveyed

20%--no buildings surveyed

50%--NA

2. Enforcement. The overall purpose is to process, through a formal system established by the Board, those complaints which cannot be amicably resolved to comply with accessibility standards. These activities are planned for 1982:

A. Investigate and respond to approximately 250 complaints. Site investigation of 20 complaints of noncompliance is anticipated.

Effect of reduced appropriations

10% reduction--no change

20%--25% fewer site investigations

50%--NA

B. Litigate complaints of non-compliance.

Effect of reduced appropriations

10% reduction--no change

20%--no change

50%--no change

3. Technical Services. The overall objective is to develop and disseminate technical resource materials, and provide technical assistance and guidance to Federal, State, and local governments, and to private concerns, to enable them to meet their responsibilities for accessibility in the least costly manner. The following activities are planned for 1982:

A. Research those areas for which guidelines have not been developed.

Effect of reduced appropriations

10% reduction--no change

20% reduction--a 20% reduction in all research efforts

50% reduction--no research conducted

B. Conduct approximately 25 national training seminars and workshops for code officials to review design criteria, model codes and occupancy classification.

Effect of reduced appropriations

10% reduction--no change

20% reduction--no change

50% reduction--Cancellation of all technical assistance workshops and seminars with state code officials.

C. Provide assistance to 4 agencies for installation of accessibility compliance systems; conduct 14 audits of agency systems.

Effect of reduced appropriations

10% reduction--no change

20% reduction--no change

50% reduction--no change

D. Review four* Federal agency accessibility standards.

Effect of reduced appropriations

10% reduction--no change

20% reduction--no change

50% reduction--no change

4. Policy and Program Development. The overall objective is to develop and implement policy and program priorities established by the Board. The following activities are planned for 1982:

A. Complete a set of transportation policy recommendations for ensuring that public conveyances are accessible to handicapped individuals.

B. Develop policy recommendations to complement other program activities relating to the removal and prevention of architectural, transportation, communication, and attitudinal barriers.

Effect of reduced appropriations

10% reduction--No research into attitudinal barriers and a sharp reduction of investigation and research of communication barriers.

20% reduction--No investigation and research of communication barriers.

50% reduction--NA

C. Conduct eight national hearings related to communication and transportation barriers, four in each area.

*Department of Defense, General Services Administration, Department of Housing and Urban Development, United States Postal Service.

Effect of reduced appropriations

10% reduction--No hearings conducted on communication barriers

20% reduction--No hearings conducted on transportation barriers or communication barriers

50% reduction--NA

5. Administration. The overall objective is to support the management functions of the Board. The following activities are planned for 1982:

A. Provide support for the conduct of regular and special Board meetings and meetings of its Committees.

B. Respond to 17,500 public inquiries pertaining to general and technical information.

Effect of reduced appropriations

10% reduction--no change

20% reduction--25% fewer responses

50% reduction--an additional 25% fewer responses

C. Staff participation in technical and consumer organization events.

Effect of reduced appropriations

10% reduction--no change

20% reduction--50% reduction in staff participation

50% reduction--NA

MASON H. ROSE, V

Mason H. Rose, V, an attorney from Rolling Hills, Calif., maintains his law offices in Beverly Hills. He was formerly with the Los Angeles law firm of Kindel and Anderson.

Rose is a city councilman and former mayor of Rolling Hills.

He chaired the National Advisory Committee on an Accessible Environment for the federal Architectural and Transportation Barriers Compliance Board from 1976 through 1978.

Rose is active in various associations and activities involving handicapped persons. He is on the board of directors of the California State Easter Seal Society. He also served on the board of directors for the National Center for Law and the Handicapped in South Bend, Ind. In addition, he was the co-founder of the Western Law Center for the Handicapped in Los Angeles, and he has served on its board of directors since 1976. He also serves as a commissioner for the Los Angeles County Commission for the Handicapped.

He has been affiliated with other organizations serving handicapped persons. He co-founded the California Association for the Physically Handicapped and served on its board of directors from 1971 to 1973. He also served on the board of directors for the Southern California chapter of the National Rehabilitation Association.

He was graduated with a J.D. degree from Loyola University School of Law in Los Angeles. He is a member of the State Bar of California, the Los Angeles County Bar Association and the Beverly Hills Bar Association.

Rose is married and has three children.

On Dec. 4, President Carter appointed Rose, a disabled veteran who uses a wheelchair, to a two-year term on the federal Architectural and Transportation Barriers Compliance Board.

.. IRENE BOWEN
Deputy General Counsel
Architectural and Transportation
Barriers Compliance Board

WORK EXPERIENCE

1980 to present:	Deputy General Counsel, Architectural and Transportation Barriers Compliance Board
1977 to 1980:	Attorney-adviser, General Attorney, ATBCB
1976 to 1977:	Staff Attorney, Center for Auto Safety
1975 to 1976:	Co-founder, Student Director, National Center for Law and the Deaf
1975:	Law clerk, Fensterwald and Ohlhausen
1974:	Assistant to the Washington Director, Committee for Humane Legislation
1971 to 1973:	Teacher, Ankeny High School, Ankery, Iowa

EDUCATION

1976	J.D., the National Law Center, George Washington University, Washington, D.C.
1971	B.A., University of Northern Iowa, Cedar Falls, Iowa

Judith Ruth Satine
Biographical Information

A native of Washington, D.C. Currently residing in Colesville, Maryland.

Work History:

1978 - Present--Program Analyst, Architectural and Transportation Barriers Compliance Board.

1977- 1978--Program Analyst, Department of Health, Education and Welfare, Adminstration on Aging.

1976 Administrative Consultant, House Select Committee on Aging.

1974- Administrative Assistant to the Director, United Jewish Appeal.

1973 Counselor, Chestnut Lodge.

1968-1971--Instructor of French and Italian, University of Maryland.

Education:

Masters in Human Services Administration
Speciality in Gerontology
Antioch College
Summer 1977

Bachelors in Psychology
The American University
May 1974

Masters in French Literature
The University of Maryland
June 1971

Bachelors in Secondary Education- French major
The University of Maryland
June 1968

Diploma of Honors- French
McGill University
Montreal, Canada
August 1967

ROBERT M. JOHNSON
Biographical Information

Native of Middlebury, Vermont

Education: Degree in History and Political Science
University of Montana 1954-1960

Graduate work in Urban Studies as a National
Institute of Public Affairs Fellow
University of Southern California, 1967-1968

Married and father of 6 children - currently residing in Vienna, Virginia

Work History:

Aug. 1977 - Present Executive Director, Architectural and Transportation Barriers Compliance Board, Washington, DC

Jan. 1977 - July 1977 Acting Executive Director, Architectural and Transportation Barriers Compliance Board, Washington, DC

July - Sept. 1975 Temporarily assigned to Fort Indiantown Gap, Pennsylvania as Deputy Director of the Indo-China Refugee Center

1973-1976 Director, Office of Manpower, Office of the Secretary, Department of Health, Education, and Welfare

1972-1973 Director of Department of Labor Manpower Planning System Operations and also had responsibility for implementation of 9 demonstration projects related to manpower program decentralization and decategorization.

1971-1972 Member of executive staff of the Department of Labor Task Force on Welfare Reform, Washington, DC

1969-1971 Worked on several assignments and special task forces related to Model Cities, Federal regional council activities, manpower planning

1968-1969 Regional Manpower Development and Training Officer, U.S. Department of Labor

1967-1968 National Institute of Public Affairs Fellow at the University of Southern California

1961-1967 Worked in the Seattle regional office of DoL on a variety of assignments including unemployment insurance and Neighborhood Youth Corps

1960-1961 Management intern in the Department of Labor, Washington, DC.

Charles David Goldman
Biographical Information

Married and father of three children--currently residing in Bethesda Maryland.

Work History: 1975 - Present--General Counsel, United States Architectural and Transportation Barriers Compliance Board.

1975 - 1970--Attorney, Government Contracts, United States Department of the Interior, Office of the Solicitor.

1969 - 1970--Attorney, Procurement, United States Department of the Navy, Office of the General Counsel, Naval Air Systems Command.

1968 - 1969--Attorney, Housing and Cooperative Businesses, Volunteer In Service to America (VISTA).

Education: Harvard Law School, Program of Instruction for Lawyers, Seminars, Summer 1976.

George Washington University Law School Government Contracts Program; Equal Employment and Labor Standards, 1973, Patents and Technical Data, 1972.

New York University School of Law, L.L.M. Degree (1968), Concentration in Administrative and Public Law and Practice and Procedure.

Brooklyn Law School, L.L.B. Degree, (1967).

University of Michigan, A.B. Degree, (1964). Major Fields, History and Political Science.

Certification: Member of the Bars of the State of New York (1967) and the District of Columbia (1975).

LACK OF FACILITIES

Senator ANDREWS. Thank you, Mr. Rose, for a most interesting statement. Let me assure you that I am well aware of architectural barriers. My wife contracted meningitis a year and a half ago. She is confined to a wheelchair. Last night we went out to dinner with some constituents at Trader Vic's. To get to Trader Vic's we had to find the assistant manager. We had to go down a service elevator, through three of four back corridors, the kitchen, and by the liquor storage facilities in the back. It was rather ridiculous.

I happen to have picked an office over in the Russell Building. After I selected the office I then found out that the garage, the Senate garage in the Russell Building, has two flights of stairs that you have to climb to get to either one of the Senate office buildings.

So, I am totally aware of architectural barriers. It is a frustrating thing.

Mr. ROSE. Mr. Chairman, I think that your statement is very typical probably and the very reason I am here. As an able-bodied person for 28 years, I got very used to exercising my privilege to come to the front door with my head held high and participating in the mainstream of American life. After doing that for 28 years, I found it very difficult, after serving my country as a Marine fighter pilot and sustaining a disability in the service of my country, to come back and be told that I have to go in the back door, if I am lucky, if it is accessible, and go to the freight elevator after they move the garbage and mop up.

We take a roach approach to life rather than coming in the front door.

Senator ANDREWS. I have seen fascinating parts of fancy buildings.

Mr. ROSE. You see all the kitchens in town.

Senator ANDREWS. You do. Certainly the need is there. Our concern is about some of the questions of whether this Board is duplicating what is already being done; and to get at that, what portion of the Board's time and resources are devoted to standard-setting functions

and which portion of your time and resources are devoted to encouraging compliance?

Mr. ROSE. Mr. Chairman, this last year we spent a tremendous amount of time on the minimum guideline. We did that at the urging of GAO, who told us that Congress had given us this responsibility and that we had not performed that responsibility and we had better get the job done.

Senator ANDREWS. Will you give me a barnyard figure of what percentage of your time was devoted to these standard-setting functions?

Mr. ROSE. During 1980, which was the period in question, I would like to ask Mr. Johnson, our executive director, to respond to that question.

Mr. JOHNSON. Mr. Chairman, without being able to be too precise, I would say that because of the small size of our staff, we have to focus on whatever the major priority is at the time. During 1980 the pressure was on. Most of our staff, I would guess about 80 percent of the staff time, was devoted to supporting the Board's efforts to develop minimum guidelines and requirements for standards.

We still had compliance activities going on, but we did not have staff available for many field investigations or anything of that sort. So, we mainly kept up a basic operation of processing complaints that came in and continuing the litigation we had underway.

The major staffing was devoted to the guideline and requirements effort last year.

In 1979 we were not working on that activity. At that point we spent most of our time doing directed field reviews in 10 major cities across the country. That was the staff effort that consumed about 80 percent of our time in 1979.

We tend to focus the staff on whatever the major Board priority is at the particular time.

Senator ANDREWS. Isn't compliance your basic function?

Mr. JOHNSON. Compliance is the original and basic function of the Board, and is ongoing. We do process all the complaints we receive as quickly as we possibly can. It is a question of how much staff we are able to divert to field investigations which are very time consuming.

Senator ANDREWS. You say you spent about 80 percent of your time last year in standard-setting functions?

Mr. JOHNSON. That is correct.

Senator ANDREWS. Doesn't this duplicate what is already being done by other agencies, GSA, HUD, Defense, Postal Service?

Mr. ROSE. Mr. Chairman, we feel it does not duplicate their efforts at all. Congress recognized the problem that there were four standard-setting agencies and that they had varying standards, which was creating a lot of confusion in designing and eliminating architectural barriers. So, what Congress asked us to do is develop a minimum guideline to which all four standard-setting agencies must conform, thereby creating a uniformity in the entire Federal system.

The only area that is still uncovered is architectural barriers which may emerge under section 504. That is where there are Federal funds involved in grant activities.

In order to make the benefits of those activities available to handicapped people, in some instance they must remove architectural barriers so people can get in. We do not have authority over that area right now, but the interagency coordinating council suggested that the persons with 504 responsibility look to our guidelines for guidance and we would hope that if our agency survives, the next step Congress will take will be to direct these agencies to look to this Federal minimum requirement as a guideline.

Senator ANDREWS. The standards are set by different Federal agencies. By what measure is a local transit authority, for instance, bound? Can a local jurisdiction be financially penalized by going along with one Federal agency's set of standards rather than the other Federal agency's set of standards? If you are on a city commission in West Overshoe, Ill., how do you pick which set of standards to go with?

Mr. ROSE. First of all, the question is whether we have the authority to set standards in vehicles in public transport. We have jurisdiction over rolling stock. Exactly what that means we have not fully explored. If you assume we have authority and jurisdiction to set standards on rolling stock, what a jurisdiction would do is look at the various standards and they would be required to pick the strictest of the standards and comply with that.

Senator ANDREWS. In other words, if a school district in one of our States has a school building, they have to look to the tighest set of specifications drawn between your agency and the Department of Education or GSA or whatever?

Mr. ROSE. That would be correct. It might be more than that. They may get Federal funding. If they get funding they would be under 504 and they would have to make the benefits of that school district or that school available to handicapped students, not by our standards right now, because we have authority under only the Architectural Barriers Act, Section 502. We do not have 504 responsibility at this time, even though the interagency council has recommended to the agencies with that responsibility that they look to our standard, and I believe they are doing that. So, they would have to look to the Federal enforcement person under 504 as to accessibility. They would have to look at their own State standards.

If their county or city had standards, they would have to look to those standards also. They would have to then pick the strictest standard.

Senator ANDREWS. Do you have authority to withhold agencies' appropriated funds?

Mr. ROSE. We do only in a situation where we receive a complaint. We investigate the complaint; we try to get informal resolution of the complaint. If we are then unsuccessful, we then go to administrative trial before an administrative law judge. If the administative law judge finds the agency is in violation of the Architectural Barriers Act, they are then directed to make corrections.

If they then fail to make the corrections, we do have the authority to cause funds to be withheld.

Senator ANDREWS. Do you have jurisdiction over any agency of the Government?

Mr. ROSE. Yes; now, I should point out that that has never occurred.

Senator ANDREWS. Let us look at a specific instance. I have been told of the Chicago State Street Mall project, which cost them $19 million to complete general improvements. As I understand, your Board took legal action to force them to install elevators at all eight mezzanines to the three stations involved, at an estimated addtional cost of $28 million. The cost of the elevators, if my arithmetic is correct, is a lot more than the entire general improvements.

Mr. Johnson, as Executive Director of that Board, stated in a deposition in the case that before taking the action the Board had no policy governing such decisions.

That raises several questions in my mind.

First of all, why would it be necessary in a renovation project to retrofit all eight mezzanines when our own Washington Metro in the design stage only finds it necessary to install one elevator per station?

Second, what is the rationale behind installation of 28 million dollars' worth of elevators that just go to the mezzanines and don't even go to the train station where the trains come in. Even if they did go to the train level, I am told that 90 percent of the vehicles aren't wide enough to accommodate the wheelchair.

The third question, of course, is why did it take so long in setting up these standards? Let me wait for the third question, however, and find out why the number of elevators and why the excessive cost when the elevators don't go through, or was the information given the subcommittee in error?

Mr. ROSE. Mr. Chairman, I would like to direct that question to Ms. Irene Bowen to answer.

Senator ANDREWS. The only thing we have to go on is an examination of a specific action or a number of specific actions by the agency, and this is one of the ones that was brought to my attention.

Mr. ROSE. I will preface the answer by saying that the retrofitting of train stations is probably the hardest case you could raise to us. Most retrofits can be done very simply and very inexpensively. When you start talking about transportation systems you are talking about probably the hardest case. You put the hardest case to us.

I know in the particular case what happened is that they went in and did some retrofitting. They ignored the Architectural Barriers Act. What happened is that after they had already made some improvements, they had to go back and redo it. When you go back and redo something, it becomes expensive. However, there is a waiver provision.

Senator ANDREWS. As I understand it, the plans for retrofitting the station have been kicking around for a long time. You have been involved in this Board action since 1976. While these plans were available, no action was taken by the Board to inform the transit authorities until 1979 or 1980, which added to the cost and confusion. That is why it got pretty late.

You know, the timing of an action by the Board is also one of the things that comes under surveillance.

Mr. ROSE. Specifically, as to our minimum guideline, Congress made the amendment giving us the responsibility to set the minimum guideline in 1978. The Board was nearly out of business during 1979 because

President Carter did not make the appointment of the 11 public members for a year. So there was no Board. So, the staff could not act independently to create a minimum guideline.

That is the reason we got very busy last year. We spent all of 1980 creating the minimum guideline. There was no way to do it earlier than we did it. We have been criticized for doing it as early as we did.

Senator ANDREWS. Let us go back to the number of elevators and the number of mezzanines which still don't get people down to where the trains are, which could not accommodate wheelchairs if you got down to where the trains are.

Mr. ROSE. Let me ask Irene Bowen to answer that question. She is most familiar with it.

Ms. BOWEN. I think this case brings together a lot of questions that people have about barriers and the cost and the process of the Board to resolve complaints. I think if I can explain a few of the facts more carefully, you will have a better understanding of what happened and how we are trying to prevent this from happening again.

We received a complaint on the State Street Mall project in the summer of 1979. That was the basis of the citation that we filed several months later after trying to get a voluntary resolution.

With the current staffing of the Board and its current responsibilities, we do not examine the plans of specific projects until we get a complaint about them. One of our efforts now is to work with the agencies so that they can catch mistakes at the beginning. Through technical assistance, we are establishing internal compliance systems within the agencies so that the mistakes aren't made in the first place, because once they are made, it is very costly to correct them.

In this case, approximately $12 million was given to the city of Chicago to renovate an area downtown and turn it into a pedestrian mall. One of the parts of that project was to install escalators where there had been stairs before into the subway stations under the mall.

There apparently was a misunderstanding on the part of DOT as to what exactly the Architectural Barriers Act required at that time. We think the act and standards under the act are very clear. The statement that there was no policy is not accurate. What Mr. Johnson stated was that the Board enforces the standards, and we enforce the standards the way they are written. That is what we are attempting to do in this case.

The standards say if an entrance is renovated, the entrance has to be accessible. The way to do that is to put an elevator in if it is impossible to ramp it. In this case it was impossible to ramp it.

There are eight entrances along the mall. We consider there are eight separate facilities because they are separate entities. You can tell one station from the next station. We are saying that under the Architectural Barriers Act you would have to put in eight elevators to make all stations accessible.

One point that Mr. Rose brought up is very important in this case. There is a waiver procedure. When DOT first gave the grant to the city of Chicago, the city and DOT could have applied to General Services Administation for a waiver of the requirement that eight elevators be installed. It is just this kind of case that calls for waivers at times.

If GSA, who has the authority to grant the waiver, found that indeed it was too costly, compared to the benefits that would be derived to put in the eight elevators, they could have said to DOT, "All right, we will permit the city to put in only one or two elevators."

Before we filed the citation we attempted to get some kind of resolution which would amount to installing fewer than eight elevators. We were trying to find out if that number would achieve a degree of access which would be appropriate in this case. The reason that we had asked for elevators to the mezzanines rather than all the way to the platform is that we are concerned with the entrances to the stations. It was the entrances that were renovated and the entrances that should be made accessible.

The theory behind the Barriers Act is that if you have an old facility, whether a building or transit station, you are going to alter each part separately as you go along. For example, in a building you may alter the entrance one year and the restrooms the next year and the stairs the next year. The theory is that you make the entrance accessible when you alter it and then you make the restrooms accessible when you alter them.

When you continue to rehabilitate buildings and facilities, they will all become accessible. If you say at the beginning, "We are not going to make the entrance accessible because the bathroom is not accessible," then you are defeating the purpose of the Barriers Act. The idea is that eventually all of the building will be accessible.

In the State Street Mall case, eventually the access and the mezzanine and down to the next level will also be renovated. In fact, the city is undertaking a lot of renovations on the stations and it is very likely that that will happen. At that point, then, that level should also be made accessible.

The question whether the vehicles are accessible or not is related to the question of accessibility of transit systems under section 504 of the Rehabilitation Act. All the Federal recipients are now required to start making vehicles accessible, as well as their facilities.

Again, we are saying that as you renovate the station, make it accessible. When the trains are accessible, all items will interface adequately and a person will be able to take a trip from one accessible station to another.

I might also mention there are several accessible stations in Chicago now. When the trains are made accessible, then people will be able to go to several of those stations, and the State Street area is a very important one in the Chicago system. You connect up to several lines if you can get into the State Street Subway.

Senator ANDREWS. And as new train cars are purchased, they will be made accessible, so you have a gradual evolution?

Ms. Bowen. That is right.

Senator ANDREWS. I am not trying to be a friend of the court. It is not my business to be giving out advice, but the place where you get yourself into a hassle is that this is all one station, the State Street Station. The point is, one station has eight escalators, so you want to put in eight elevators. That is where it really comes apart.

If you had clearly identified one part of the station for the elevator that is for handicapped, you could have accomplished your purpose with one elevator and you probably would not have gotten the flak. You know, we have massive escalators in the Washington Metro System, but we only have one elevator per station for the handicapped, and it works well; it is one of the things that really turned out well.

If we had the same kind of application here as you tried to put in the State Street Station, then we would have had to have one elevator for each escalator. Many of our Metro stations would then have three or four elevators by the same yardstick.

Ms. BOWEN. Mr. Chairman, one issue in the case is the number of stations under the mall. The Chicago Transit Authority says there are three. The Department of Transportation says there is one. We say there are eight.

Senator ANDREWS. These are the difficult things. I have never seen the station. I just don't know, but the Department of Transportation gives us this information and it makes the case that, "Look, we have duplication. People come in at the last minute with unreasonable rules, and we have to have a better system." I don't think anybody, certainly not this chairman, is against what you are trying to do. The question is, how do we do it?

We go on from that to a similar thing—wheelchair access to buses. We now have a situation where in my hometown, Fargo, N. Dak./ Morehead, Minn., buying a group of 36 buses now requires that they be wheelchair accessible. In Fargo, N. Dak., where the wind/chill factor 4 months of the year is 70 below zero, you don't go in your wheelchair down the snowy sidewalks to wait at a bus stop for a bus.

The alternative that they have suggested and are using is a van. If somebody is in a wheelchair, they call the van dispatch. They come to the door, help them down the steps from their own home if they have to and they get them there. It is done with the idea of accommodating our own environmental pattern and we are doing that because we are concerned in our community.

I should ask Mr. Rose, what is your reaction to a federally mandated deal that has this kind of van service? They feel it is the only way you can efficiently move someone in a wheelchair. What do you think of a law that says you have to put this wheelchair accessibility in all your buses?

Mr. ROSE. The accessibility of the transportation vehicle is a different issue which we have not directly addressed at this time.

Senator ANDREWS. You are not into that issue at this time?

Mr. ROSE. To the extent we are going to get into it, we have really not determined. This is one of the projects of this year, to examine what our responsibility is, and once we have determined that to go to work and do what it is that we are supposed to do.

The accessible vehicle is a very, very difficult problem.

I live in a totally different environment than you do, Mr. Chairman. I am in a large metropolitan area where the sun shines almost all the time, in Los Angeles County, and with 9 million people in the metropolitan area there, and with a very large handicapped and elderly population, too. To have enough vans available to transport all of these

people on time to their destination so far has proved to be virtually impossible, unless we have one van per zone and one driver per van, which would seem to me to be extremely expensive and more so than accessible mainline vehicles.

In the large areas, metropolitan areas, where the weather permits, it seems to us that the best solution is that you have both systems. You have a transit system, dial-a-van system for some persons who are so severely disabled that they cannot use regular transportaion vehicles, and also to be used as feeders to the mainline transportation.

Again, these are issues that we have not squarely addressed. I think the fear that most disabled people have regarding the so-called local option is that the local option will quickly become a stepchild and the transportation for disabled people will become nonexistent because it is a complex thing to implement and it requires constant administration.

My experience in some 15 years as an advocate is that if access is left to administration rather than physical accessibility that 110 percent of the time it won't be there.

Senator ANDREWS. That is true, but it is the cost of the implementation of some of these programs that is of concern. If you put your funds into a van-type system, as we do, funds are limited in any aspect. If the Government puts it on a van-type system you can give a lot better service in a given community.

I am not saying it would be better in Los Angeles. Probably it wouldn't be. It might not be better in Dallas, Houston, or some other place. There has to be some cost-effective assessment.

I understand also that assessment of the cost of the implementation section of 504 was required by the 1978 amendment to the act, and your Board was to have submitted this report by November 6, 1979. To our knowledge, the report has not yet been completed, is that true?

Mr. ROSE. That is correct, Mr. Chairman.

Senator ANDREWS. Why?

Mr. ROSE. There are several reasons. First of all, again, our Board was out of business in 1979, but the major reason is the resources to do such a study. To do an effective, meaningful cost study to tell the Congress what nationwide access would cost is a tremendously large project. Our best estimates are that if we were to take this on as we have been required to do by Congress that it would cost a minimum of $13 million to conduct that study, our staff would have to be expanded very substantially, and we would have to utilize outside contractors to help us to do this.

Here we are. We have just gotten to the budget of $2.3 million. Before that we were at $1 million and before that the numbers were much smaller. We have been given a task to do that we in no way can accomplish with our resources.

So, what we have done, rather than do the cost study, is try, through inexpensive means, to accumulate as much cost information as we possibly can.

Again, I will go back to my opening statement. We have asked those four standard-setting agencies that have been in the business of collecting cost data on accessible new building and renovated old buildings, supposedly since 1968, to supply us with that information. They have

been unable to do so, except for the Department of Defense, and they show us that the costs are de minimis for new buildings and insignificant in renovations, generally speaking.

Senator ANDREWS. Isn't the Department of Defense largely exempt from putting in this type of access?

Mr. ROSE. Not at all. They have some buidings that are exempt, but more and more of their buildings are coming under the act. Buildings which are uniquely military are exempt, but many of their facilities are not, particularly where civil servants are working and where retirees have a right to go to the PX, commissary, the hospital, all of the civilian facilities. I think of Kelly Air Force Base in Texas where they have a logistics center. They have huge buildings with more civilian employees on the base than military personnel and a great majority of their buildings are required to be accessible.

Senator ANDREWS. We have had concern voiced about action being taken by the staff without prior consent of the Board. One action is a sole-source contract let to the National Conference on State Building Codes and Standards, for over $500,000. Who is in charge, the Board or the staff, and how does this conflict affect your ability to carry out your responsibilities?

Mr. ROSE. That is a very good question, Mr. Chairman. It is one that we are focusing on now. We are going to discuss it at our Board meeting tomorrow because it has been brought up.

What basically took place is that, again in 1979, we were without a board. The staff still had a responsibility to carry out under the legislation. They had a budget; they had responsibilities; they had no Board. So what happened is that the old Board, which was then chaired by Arabella Martinez from HEW, met as an ad hoc committee. It was a kind of interim board, even though they were not legally constituted, because they didn't have a quorum. They met and advised our staff on what activity to pursue.

This particular contract was a subject of that advice. That ad hoc committee advised our staff regarding the contract. That contract was actually processed through the Department of Education contracting process and was handled in their normal course.

So, we had an ad hoc board, a processing by the Department of Education through their normal procedures, and we had an implementation by our staff.

Senator ANDREWS. As I understand it, you are going to address this tomorrow. Could you then supply any additional information for the record if it turns up after your discussion tomorrow, so that we will have a complete record on this?

[The information follows:]

At the ATBCB meeting of March 11, 1981, the Board voted to ratify the actions of the 1970 ad hoc ATBCB committee and the Board staff in pursuing the contract with the National Conference of States on Building Codes and Standards, Inc. (NCSBCS), and to proceed with the implementation of this contract. The ratification was given as an expression of the ATBCB's desire to go forward with this project and in the event that any legal problems should ever arise, which could be resolved by such an endorsement, it was so given. A motion to request an audit by the GAO of the ATBCB contract with the NCSBCS was tabled.

The ATBCB chairperson directed the Board's Planning and Budget Committee to

develop and present to the Board at its next meeting clear policy and procedures for the approval of future procurement activities.

Senator ANDREWS. Finally, in the event your Board is not funded after September 30, 1981, who will assume responsibility for adherence to these standards?

Mr. ROSE. No one. What will happen is that we will have a regression in access in this country of 13 years. In 1968 the act was passed and it became abundantly clear that the Federal agencies, without a compliance system, would not comply. If our agency disappears, there will be no compliance arm. It will be a very sad day.

Senator ANDREWS. Could you provide for the record any provisions of existing law in this regard as to what will be the situation, so that we will have a complete record?

Mr. ROSE. We will be glad to provide a statement which will more specifically answer that question.

Senator ANDREWS. I would appreciate that.

[CLERK'S NOTE.—This information is provided in response to a later question on page —.]

Senator ANDREWS. Mr. Rose, we appreciate your group coming up. It was a most interesting discussion. Hopefully, we will resolve the problem.

Mr. ROSE. Thank you, Mr. Chairman. I appreciate your committee's interest in our small agency. I hope that we can survive in this International Year of the Handicapped.

I think it is very important to open our national community to our disabled citizens and let them also enjoy the American way of life. Thank you.

SUBMITTED QUESTIONS

Senator ANDREWS. Mr. Rose, I also have a number of questions that we will ask you to answer for the record, because we seem to have consumed all of our time. I also have some questions from Senator Chiles that I would like to have you answer for the record.

Mr. ROSE. We will be glad to pick those up and get our answers back.

Senator ANDREWS. Senator D'Amato, as well, has questions he would like to have answered for the record.

Thank you very much.

Mr. ROSE. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

77-534 O - 82 - 31

Questions Submitted by Senator Andrews

Citations Issued

Question. Please provide the citations, dates and status of all legal proceedings you initiated in 1980 regarding compliance with accessibility standards. Please provide the names of all persons, agencies or other governmental or private interests named in the legal actions.

Answer. A citation concerning the State Street Mall subway was filed in April 1980 against the U.S. Department of Transportation, Urban Mass Transportation Administration (UMTA), Federal Highway Administration (FHWA), the City of Chicago, the Chicago Transit Authority (CTA), and the State of Illinois. The Executive Director of the ATBCB alleged that seventeen entrances were renovated and over thirty escalators installed without providing access to any of the eight subway stations under the newly-constructed pedestrian mall. The administrative law judge has denied motions for summary judgment and motions to dismiss by UMTA, the City, and CTA, and a motion for summary judgment by the Executive Director. The State of Illinois and FHWA have been dismissed from the case. After completion of extensive discovery a hearing will be held the weeks of May 4 and 11, 1981, in Chicago.

A citation concerning the Richard B. Russell Federal Building, a newly constructed building in Atlanta, Georgia, was filed in July 1980, against the General Services Administration and the Administrative Office of the United States Courts. The complaint alleges that the jury box, witness stand, judge's bench, and court reporter bench in the Federal courthouse located in the Russell Federal Building are inaccessible to physically handicapped individuals. A hearing is scheduled to begin on March 31, 1981, in Atlanta, Georgia.

A citation concerning 101 Marietta Tower, 101 Marietta Street, Atlanta, Georgia, was filed in February 11, 1980, against the General Services Administration and Piedmont Courtland Associates. There were numerous violations, among them were: no elevator access to the basement, no parking for handicapped individuals, no identification for blind people, inaccessible restrooms, and inadequate warning signals for deaf people. The administrative law judge ordered that these deficiencies be corrected including installation of a passenger elevator. A hearing was not held. The case was closed in June 1980.

Number of Complaints Received

Question. Please provide the number of complaints regarding accessibility which you received in 1980. This information should be categorized by relevant subject areas. Indicate those which you followed up and found that a violation actually existed.

Answer. There were 180 complaints received in fiscal year 1980. Of these, it was found that 49 were non-federal and of the remainer a total of 113 have been closed. The following breakdown shows the type of complaints that were followed up and resolved:

Parking - 12

Wheelchair traffic flow - 9
Common level or ramp connected - 6
Usable by individuals in wheechairs - 19
Warning signals (audible) - 2
Ramps and handrails - 7
Door width - 2
Racks, dispensers and disposal units - 2
Grab bars - 1
Stall size and equipment configuration - 1
Water fountains - 3
Raised letters - 1
Stair risers - 2
Elevators usable at all levels - 1
Phones (dial and handset reachable) - 1

Enforcement Coordination

Question. How does the Architectural and Transportation Barriers Compliance Board coordinate enforcement of accessibility standards with Federal agencies which issue the standards and have responsibility for the building and facilities involved?

Answer. The ATBCB ensures compliance with standards issued under the Architectural Barriers Act. The ATBCB, unlike the agencies enumerated in the Architectural Barriers Act, is authorized to hold Administrative Procedure Act hearings to ascertain compliance. The ATBCB utilizes a "refer out" strategy of implementing the compliance function. When a complaint is received, it is referred to the agency responsible for the buildings and facilities involved. That agency reviews the matter for the ATBCB and reports to the Board. The ATBCB policy is to notify all agencies who may have an interest in a building or facility. 36 C.F.R. Part 1150. The amicable resolution process, which is the prelude to possible enforcement action, serves as a coordination process with the other agencies. The ATBCB has developed cooperative agreements to provide for the coordination of efforts to ensure access under sections 502 and 504 of the Rehabilitation Act. A sample agreement is on file in the Clerk's office.

UMTA

Question. Identify any overlapping that the Board shares with UMTA in setting accessibility standards for facilities and rolling stock.

Answer. The 1978 amendments to the Rehabilitation Act charged the Board with "...ensur[ing] that public conveyances, including rolling stock, are usable by, physically handicapped persons." The original act, the 1973 Rehabilitation Act, mandated the Board "... to determine what measures are being taken ... to eliminate barriers from public transportation systems (including vehicles used in such systems), and to prevent their incorporation in new or expanded transportation systems...."

Transit stations are covered by P.L. 90-480 and, therefore, must be built in conformance with standards under the Architectural Barriers Act. The current standard will be revised to conform to the ATBCB minimum Guidelines and Requirements for Accessible Design. The Board has not specifically addressed the issue of

ensuring accessibility to rolling stock. The Board's Transportation Committee, of which the Department of Transportation representative is co-chair, is studying this issue and expected to make recommendations to the Board in the future.

In addition, technical assistance was provided to Amtrak to make sure that recent design changes in the accessible washrooms were consistent with the Minimum Guidelines and Requirements for Accessible Design. Recently, the California Department of Transportation contacted Board staff to seek suggestions on providing access to future bi-level commuter trains and is expected to forward a formal request for technical assistance shortly. In relation to fixed facilities, UMTA, through its contractor, Transportation Systems Center, has requested Board participation on a review panel for a study to assess potential low-cost elevators for transit stations.

In conclusion, at this time there is no known overlap in setting accessibility standards for facilities and rolling stock between the Board and UMTA.

Technical Assistance

Question. On page 7 of your budget justification, you state that you are responsible for providing technical assistance to all programs affected by Title V of the Rehabilitation Act. To which programs have you provided this technical assistance in FY 1981 and what was the nature of the assistance?

Answer. The ATBCB's long-range objective in the area of technical assistance is to ensure that Federal, state and local governments and private entities will be provided the necessary assistance and guidance to enable them to meet their responsibilities for accessibility.

During FY 1980, the Board's staff worked on the development of the minimum guidelines and requirements for accessibility standards. Using this as a vehicle, the Board has developed an outreach program in an effort to reach each of the different influential groups of participants in the building process. During 1981 the Board has begun the outreach program with the state and local code officials and model and national code groups. These organizations are responsible for the preparation of model and national codes upon which most state and local authorities base their building code. The program is designed to reach a specific audience with technical materials interpreting the Federal minimum requirements for accessibility. The objective is to suggest methods for achieving uniformity as well as demonstrating the need for minimum accessibility requirements and foster a strong working relationship with code groups and Federal agencies such that uniformity of all codes is feasible.

The Board's policy is that in order to have an accessible environment we must have a cooperative effort from all participants in the building process. This includes not only code people and architects, but also civil and professional engineers, industrial engineers, planning officials, building product producers, mortgage lenders, financial institutions, representatives from the contracting industry, subcontractors and labor. During the next

five years each one of these specific groups will be involved in the outreach program.

The ATBCB's overall approach to technical services is to fill the need for a cooperative governmental/private sector effort to accomplish a vital and common national goal.

Supplemental Funding

Question. If it were to be determined that funding is unlikely to be approved for your operations after September 30, 1981, is the proposed $74,000 supplemental for FY '81 still necessary? For what purpose?

Answer. The proposed $74,000 supplemental, which was a pay supplemental, has already been cut by the Department of Education.

National Journal Article

Question. According to a 2/7/81 National Journal Article, when the Board approved its proposed rules governing accessibility, there were four dissenting votes. Three of those four votes were among the four Federal agencies responsible for setting building standards to which all Federal agencies must comply. What is the purpose behind establishing rules which the sponsoring agencies cannot support?

Answer. The minimum requirements provide the basis for standards to be issued under the Architectural Barriers Act (Act). This responsibility was given to the Board in the 1978 amendments to the Rehabilitation Act Pub. L. 95-602. The requirements set the scoping provisions as to the applicability of the ABA, as well as detailed technical provisions describing accessibility features in toilet rooms, elevators, telephones, signage, warning systems, etc. The requirements were developed throughout 1980 under rulemaking procedures pursuant to the Administrative Procedure Act. Public comment was solicited and carefully considered. The Board received approximately 281 comments, including comments from the standard-setting agencies. The Board considered these comments in developing its final rules. Extensive meetings were held at which particular issues were discussed. The law requires that the Board exercise its best judgment. Its statutory role is one of leadership. The law requires that the Board make the decision--not the individual agencies. Thus, it would be inappropriate to give those agencies a "veto" of particular sections of the requirements.

The standard-setting agencies served on the technical committee which took the lead in developing the requirements. Their views were carefully considered, as well as the views of the public members and Federal agencies represented on the Board. For your information, the General Services Administration (GSA), Department of Housing and Urban Development (HUD), and Department of Defense (DOD) Board members did not attend the final meeting, but sent representatives. However, the Committee should be aware that immediately after the vote was taken adopting the final guidelines, the GSA representative announced that GSA would implement the requirement. The Board hopes that HUD and USPS, the other standard-setting agencies who voted against the requirement, will

also implement the requirements, though my perception is that their disagreements are largely based on differing interpretations of the requirements of the Barriers Act and not the technical provisions of the guidelines and requirements. For example, the Board has profound differences with the Postal Service on the applicability of the Act to leased structures. The Postal Service does not believe the Architectural Barriers Act applies to buildings which are leased without being designed, constructed or altered. The Postal Service does not believe the Architectural Barriers Act applies to leases which are unilaterly "extended" (as opposed to those leases which are renewed). The ATBCB disagrees. (The U. S. Postal Service agrees that buildings leased after January 1, 1977, are covered by the Architectural Barriers Act. However, USPS does not believe the Department of Justice opinion addressed the issue of leasing buildings which are not constructed, altered, or designed. Nor does USPS believe the Department of Justice opinion concurred in the ATBCB view.) The Department of Justice in reviewing the ATBCB minimum requirements in December 1980 concurred in the ATBCB position. That difference was apparently one of the major reasons the Postal Service did not vote for the rule. The Department of Defense voted for the minimum requirements and will implement them.

In summary, the agencies were consulted and heard. The Board exercised its statutory leadership role; to do otherwise, would have negated the 1978 amendments to the Rehabilitation Act.

Question. According to that same National Journal article, the Department of Transportation abstained from the vote because of concern for the rule's impact on subway stations and bus terminals. Please explain these impacts and the costs attached to them.

Answer. The ATBCB Minimum Guidelines and Requirements impact subway stations and bus terminals as these are illustrative types of facilities subject to the Architectural Barriers Act. The ATBCB Minimum Guidelines and Requirements will be the basis of revised standards issued under the Architectural Barriers Act, one of which, the GSA standard, is applicable to subway stations and bus terminals. After GSA issues its standard conforming to the ATBCB minimum requirements, subway stations and terminals will be required to be designed, constructed or altered in accordance with that standard. (Currently such facilities must comply with the GSA standard now in effect.) Also, the ATBCB requirements provide that if power-driven vertical access equipment (e.g., escalator) is planned or installed where none existed previously, or if new stairs (other than stairs installed to meet emergency exit requirements) requiring major structural changes are planned or installed where none existed previously, then a means of vertical access must be provided. The Department of Transportation supported adoption of this provision, even though it abstained on the final vote to adopt the ATBCB Minimum Guidelines and Requirements.

Minimum Guidelines and Requirements

Question. What are the major issues you anticipate in the implementation of the minimum guidelines and requirements for standards for accessibility?

Answer. The Board's major concern was the speed in which the

four standard-setting agencies would promulgate their standards. At the Board's March 11, 1981, meeting, GSA announced that they and the three other standard-setting agencies would be meeting in the very near future to work on promulgating one Federal standard. This standard will serve as a basis for other standards. The Board is encouraged by this and commends GSA, HUD, USPS and DOD. Board staff will work closely with these agencies by providing technical assistance and expertise whenever and wherever possible.

Duplication of Enforcement Reponsibilities

Question. Is there duplication and/or contradiction regarding the enforcement responsibilities of the Board and Federal agencies for standards implementing the Architectural Barriers Act and regulations implementing Section 504?

Answer. There is no contradiction and no duplication regarding the enforcement responsibilities of the Board and Federal agencies under the Architectural Barriers Act.

ATBCB has developed memoranda of understanding to coordinate its efforts with the 504 agencies. These memoranda will preclude inconsistent or duplicative enforcement. Moreover, the Architectural Barriers Act by statute requires barrier-free design in Federal and federally-funded buildings and facilities; Section 504 provides for program accessibility by regulation. It is an open question whether Section 504 can go beyond program accessibility as the Architectural Barriers Act does with its clear, stringent standards regarding access.

Board's Policy on Accessible Transportation

Question. Please provide for the record the Board's stated policy on accessible transportation.

Answer. At the Board meeting on May 16, 1980, the Board adopted the following general policy statement as it relates to transportation for disabled Americans:

> Just as disabled persons are entitled to equal access to public buildings, they are entitled to equal mobility; this means tnat they have the right to public transportation that is comparable to that available for the general public in terms of geographic range and nours of operation, trip decision time, fares, and lack of restrictions on trip purpose and eligibility.

The Board's Transportation Committee is currently working out recommended goals, both short and long range, for Board approval.

Questions Submitted by Senator Chiles

Proposed Elimination of Funding for the Board

Question. I understand that the Reagan Administration has proposed elimination of all funding for the Compliance Board in Fiscal Year 1982. If the Compliance Board does in fact receive no funding in Fiscal Year 1982, could its responsibilities be effectively transferred to GSA or another agency?

Answer. It is doubtful that the Board's functions could be performed by other agencies. At present, none of the agencies has adequate staff to take over the compliance functions, much less the other functions of the Board, such as technical services and research projects. While agencies have staff working on Board related matters, no agency has a full time person working exclusively on compliance of the Architectural Barriers Act. Some of the agencies, if not all, would have to duplicate the Board staff within the agency. Also, no other agency has the statutory authority to initiate administrative litigation of Barriers Act complaints or to enforce compliance orders in court. Another unique program responsibility the Board has is the oversight authority with respect to investigation of communication barriers.

It has been suggested that the Board's work could be performed by the Interagency Coordinating Council (ICC), Department of Justice, as part of its responsibilities as lead agency for Section 504 of the Rehabilitation Act, the Department of Transportation, or the agencies in general. Any changes along these lines, however, would require amendments to our authorizing legislation and ultimately weaken the government's accessibility efforts.

Transferring Board functions to the ICC is inappropriate because the ICC has no staff; it has no enforcement or regulatory authority, as it merely coordinates efforts under Title V; and, except for the Chairperson of the ATBCB, its member agencies have no expertise in physical access.

Transfer to the Department of Justice is also unrealistic. It is important to note, in this context, the similarities and differences between the Barriers Act and Section 502 on the one hand, and Section 504 of the Rehabilitation Act on the other. Section 504 provides that recipients of Federal financial assistance may not discriminate against handicapped persons or deny them the benefits of federally-assisted programs. In 1978 the law was amended to cover activities of the Federal Government itself. Government-wide guidelines provide that new construction by recipients must be accessible and that all alterations to existing facilities must be made in an accessible manner. There are no guidelines yet for the government's own activities. Only a handful of agencies have issued 504 regulations.

These regulations are inconsistent in that each incorporates by reference varying accessibility standards. The Department of Justice is now looking to the Board as the only agency with experience in the "bricks and mortar" aspects of physical accessibility for help in ensuring consistent and effective standards. Guidance which must come from the Justice Department on "program accessibility" requirements is different in nature from Board guidance on physical access. Physical accessibility concerns often focus on rather straightforward technical problems, numbers of facilities within a building, and the means of making particular buildings accessible. Under the 504 "program accessibility" approach, a recipient must make decisions as to how its programs or services can be made available to handicapped individuals through a wide range of options: full physical access, transfer of functions from one facility to another, alternative means of providing services, personal assistance, etc.

Obviously the Department of Transportation cannot perform Board functions which are not transit-related; transit-related activities form only a small part of the Board's mission. Nor can the agencies absorb the Board's functions at this point for reasons mentioned earlier. In addition, past efforts to have the Board member agencies detail staff to the Board, as provided in Section 502, have been generally fruitless.

Contracts and Grants

Question. What is the nature and dollar amount of contracts and grants which the ATBCB has awarded within the past year?

Answer. Within the past year--FY 1981--the Board has entered into various contracts for administrative and research purposes.

Contracts for administrative purposes include mailing label services, records and information management analysis, memorandum of agreement with the Department of Education for support services, salaries for attendants to assist severely physically handicapped Board members; interpreter services; stenographic services (to provide verbatim transcripts of Board meetings), as follows:

Mailing label services, maintenance of a data base of 6,000 names and addresses of handicapped organizations and consumers, professionals groups, etc.) for the ATBCB. These labels are used for mailing news releases and other public information materials. Source: Department of Health and Human Services.	$5,152
Records and Information Management Analysis for the ATBCB Public Information Office. Source: National Archives and Records Service.	8,090
Memorandum of Agreement for administrative services, such as payroll, financial reporting, personnel, training, procurement processing, telephone, travel processing, security and investigations, and necessary accounting services.	60,000
Computer service for maintaining the Board's complaint tracking system. Source: Fairfax County Computer Service, Fairfax, Va.	9,052
Complaint tracking services--maintenance of the Board's accessibility complaint tracking system.	0
Directed reviews information--review and storage (ADP).	0
Technical Accessibility Research and Reports.	300,000

Interpreter services for the deaf and reader service for the blind	7,451
Attendant salaries	4,700
Steno services for court reporting, Board meetings	17,500
Staff training	6,670

The following contracts have been awarded for program development efforts:

1. Contractor: Center for Public Management - Although this project was not awarded in FY 1980, it was extended at no cost to the government.

   Project Title: Compliance Systems Services.

   Project Period: 9/30/78-9/30/81 (The project period was extended for one year at no cost to the government on 9/17/80).

   Funding Level: $250,000

   Project Objective:

   This contract was set up with six major sub-tasks to assist the Board members and nonmember agencies pertaining to barrier-removal activities. A general overview of each task follows:

   Task 1: Provide assistance to 10 Federal agencies in implementing the pilot agency accessibility compliance system.

   Task 2: Assist in the development and design of an audit process and protocol and the testing of the process. The purpose of the process is to perform selected agency audits of implemented accessibility compliance systems.

   Task 3: Develop an evaluation criteria and conduct a major review to assist the Board in assessing its impact on the state of accessibility of federally-owned, -leased, and -assisted constructed buildings.

   Task 4: Develop, test and refine technical module(s) and materials for Federal architectural engineering staffs on the detection and elimination of architectural barriers.

   Task 5: Assist the Board in the execution of directed compliance reviews of covered buildings and facilities in the ten Federal regional cities.

   Task 6: The refinement and expansion of the Board's automated complaint tracking system.

   Status: Tasks 3 and 5 have been completed. Tasks 1, 2, 4 and 6 are open and in progress.

2. Grantee: Center for Building Technology, National Bureau of Standards.

Funding Level: For FY 1980 - $117,700; FY 1981 - 150,000

This project consists of various phases.

Project Period for all phases: 9/18/79-9/18/81

A. Project Title: Assistance to the ATBCB in the Research and Development of Draft Minimum Guidelines and Requirements for Standards.

Funding Level: $80,000

Project Objective: Gather, summarize and categorize existing Federal and State accessibility requirements, highlighting areas of agreement, and identify areas of disagreement and ignorance.

Status: Completed.

B. Project Title: Door Standards for Building Accessibility

Funding Level: $184,000

Project Objective: This project has three phases, the objective of which is to produce door accessibility standards based on standarized testing and measurement procedures for door systems and door users. The phases are:

Phase I: An expanded literature review and additional interviewing on door systems, door use and user characteristics; obtaining and reviewing videotapes and films of door use by handicapped individuals; film's coding systems; expansion of existing classifications of handicapping conditions that apply to building accessibility; a door way operation, installation and component classification; task analysis, door use modeling, and the development of door use "scenarios"; definition of critical user groups; and the preparation of a detailed research plan for Phase II.

Phase II: The development of testing and measurement standards for door system accessibility, user functional capacity and door use patterns.

Phase III: Testing and evaluating of door systems.

Status: Phase I and II have been completed. Phase III is in progress.

C. Project Title: Evaluation of Communication Requirements for the Disabled

Funding Level: $50,000

Project Objective: This is a two phase project.

Phase I: (a) To review existing technical and standards literature to determine: 1) extent and types of disabilities which affect detection, identification and recognition of sensory alerting information; 2) warning and informational systems now in use for all sensory modalities such as visual, tactile, auditory, etc.; 3) technical base used in design of current alerting

systems, particularly for the disabled; and 4) current code provisions.

(b) Develop the research priorities and protocols for future research in the area of communication barriers.

Phase II: Assist the Board in major research activities in the communication areas.

Status: Open

3. Grantee: Mainstream, Inc.

Project Title: Analysis of the Department of Transportation s Section 321-A Cost Study of Rail Retrofitting for Fixed Guideway Public Mass Transportation Systems.

Project Period: 6/12/80-8/8/80

Funding Level: $9,720.00

Project Objective: A written analysis was required of the methodology and compilation of the Department of Transportation Assistance Act of 1978, Section 321-A Study which assesses the cost involved in making fixed gateway public mass transportation systems accessible to persons with handicapping conditions. The tasks included:

1. Background preparation:

   a. compilation and review of existing studies and resource materials in preparation for the analysis;
   b. consultation with A&TBCB members, DOT consultants, and other experts as appropriate;
   c. site visits to four selected locations to field test the results of the study.

2. Development and preparation of the analysis and a preliminary briefing of the A&TBCB members and staff of the major issues and findings.

Status: Completed

4. Grantee: Mainstream, Inc.

Project Title: Analysis of the Department of Transportation's Section 321-B Cost Study of Light and Commuter Rail Modes.

Project Period: 6/12/80-8/8/80

Funding Level: $9,720.00

Project Objective: A written analysis was required of the methodology and compilation of the Department of Transportation Assistance Act of 1978, Section 321-B Study which assesses the cost involved in making fixed gateway public mass transportation systems accessible to persons with handicapping conditions. The tasks included:

1. Background preparation:
   a. compilation and review of existing studies and resource materials in preparation for the analysis;
   b. consultation with A&TBCB members, DOT consultants, and other experts as appropriate;
   c. site visits to four selected locations to field test the results of the study.

2. Development and preparation of the analysis and a preliminary briefing of the A&TBCB members and staff of the major issues and findings.

Status: Completed

5. Contractor: National Conference of States on Building Codes and Standards Inc.

Project Title: Develop and Implement Technical Services for the A&TBCB.

Project Period: 9/30/80-9/30/82

Funding Level: $525,671.25

Project Objectives: To provide a forum for discussion of problems related to building regulations by state officials.

To encourage cooperation among all levels of government officials who administer building regulations and between these officials and the industry, and the design and consumer interests affected by their activities.

To develop standard code practices that will encourage the introduction and uniform recognition of innovations in building materials as well as guidelines involving equal access of handicapped individuals to buildings and facilities.

To assist in the utilization of a true consensus process involving all interested and affected parties in the development of model codes and standards; and

To develop and support comprehensive training and educational programs for both the personnel charged with enforcing building regulations and for those being regulated.

Status: Open - On-going

Research Funding

Question. What research efforts have been funded?

Answer. The following research effort has been funded by ATBCB through an administrative agreement for research purposes: Center for Building Technology, National Bureau of Standards. The purpose is threefold: to assist in the research and development of draft minimum guidelines and requirements for standards; to produce door accessibility standards based on standardized testing and measurement procedures for door systems and door users; and to evaluate communication requirements for the disabled.

Question. Who could administer these contracts and grants if the Compliance Board received no funds for Fiscal Year 1982?

Answer: No one; we were advised informally by OMB that the Board's functions would not be transferred. Two of the above projects are scheduled to continue into FY '82. (1) The objective of the contract with the National Conference of States on Building Codes and Standards is to provide information to State and Federal agencies and all code officials as to what technical services the Board can provide to them concerning accessibility. If the Board is terminated, there will be no centralized technical services program. In addition, many state officials already contacted have expressed an urgent need to review the new minimum guidelines and requirements with the intent of updating or revising their own state codes. A second objective of this contract is to promote uniformity of state codes. Termination of this contract will continue the proliferation of many diverse codes, thus continuing the confusion of application and interpretation of accessibility laws. No Federal agency currently provides the technical services function and, therefore, could not properly administer the contract. (2) The National Bureau of Standards research provides data for establishment of issues for the minimum guidelines and requirements in those areas where there is insufficient data. Such information will provide a necessary data base to the agencies in the development of their standards, but at this time no agency has expressed interest in assuming this responsibility.

Technical Assistance

Question. Please describe for the record the Board's technical assessment activities. What level of funding would be necessary in Fiscal Year 1982 to continue these technical assistance activities?

Answer. Technical assistance was provided to Amtrak to make sure that recent design changes in the accessible washrooms were consistent with the Minimum Guidelines and Requirements for Accessible Design. Recently, the California Department of Transportation contacted Board staff to seek suggestions on providing access to future bi-level commuter trains and is expected to forward a formal request for technical assistance shortly. In relation to fixed facilities, UMTA, through its contractor, Transportation Systems Center, has requested Board participation on a review panel for a study to assess potential low-cost elevators for transit stations.

The level of funding needed to support these technical assistance activities is approximately $786,000. This cost estimate is based upon salaries for staff, travel for the conduct of the national workshops and seminars and research efforts in those areas for which guidelines have not been developed.

Board Funding

Question. What Board functions could be continued at funding levels of $1.5 million, $1 million and $500,000?

Answer. The following page contains funding levels and activities.

The following chart demonstrates how the various funding levels will affect proposed Board activities. These activities are delineated by function areas.

ACTIVITY	$1.5M Level	$1M Level	$500,000 Level
Compliance			
Help install decentralized accessibility self-compliance systems in 4 of the 72 Federal property-holding agencies which have programs subject to the jurisdiction of the Board. These systems will monitor agency facility compliance with the standards set forth by the Board.	N.C.	N.C.	N.C.
-- Identify and inspect approximately 200 federally-owned, leased or assisted facilities within a specific targeted category. After inspection, agencies are notified of deficiencies and action plans responding to these deficiences are required.	100 Surveyed	0 Surveyed	0 Surveyed
Enforcement			
Investigate and respond to approximately 250 complaints. On-site investigation of 20 complaints of non-compliance is anticipated.	N.C.	Respond to all compl. 15 on-site investiga.	Respond to all compl. 0 on-site investiga.
-- Litigate complaints of non-compliance.	N.C.	N.C.	N.C.
Technical Services			
-- Research those areas for which guidelines have not been developed.	N.C.	Reduced 20%	No research conducted
-- Conduct approximately 25 national training seminars and workshops for code officials to review design criteria, model codes and occupancy classification.	N.C.	N.C.	Cancel all Workshops
-- Provide assistance to 4 agencies for installation of accessibility compliance systems; conduct 14 audits of agency systems.	N.C.	N.C.	N.C.
-- Review four Federal agency accessibility standards.	N.C.	N.C.	N.C.

N.C. - no change

Minimum Guidelines and Requirements

Question. For the record, please describe your minimum guidelines and requirements as they relate to Federal construction. To what structures do they apply?

Answer. The requirements will ultimately apply to practically all Federal and federally-funded buildings and facilities. In practical terms they will apply to new construction and will be used on existing buildings when leased or when planned alterations include items listed in the requirements (i.e., new bathrooms). The exceptions presently include privately owned residential buildings (not leased by the U.S.) and military personnel buildings.

The impact on particular building performance related to the handicapped is tremendous in that it can make the difference in enabling the handicapped to: 1) exercise their rights of citizenship, 2) secure services required in their localities, 3) secure employment, 4) enjoy personal security, safety and support, and 5) be comparatively mobile for employment, service and recreation needs.*

The requirements will be the basis for the revised standards issued under the Architectural Barriers Act. These standards will have the impact of being applicable to the types of buildings described in the preceding two paragraphs. The requirements are only directed at the four agencies setting standards under the Architectural Barriers Act: GSA, HUD, DOD, and USPS. It is the standards of those agencies, which will conform to the ATBCB requirements, which will impact construction practices. The ATBCB requirements per se do not apply to any structures. It is when the requirements are translated into standards that are applied under the Architectural Barriers Act that the true impact of the ATBCB requirements is discernible.

Cost of Accessibility Features

Question. What is the incremental cost of accessibility features required by the minimum guidelines with regard to new construction, alteration projects or leased buildings?

Answer. Experience demonstrates that accessibility can be achieved at minimal cost. States, architects, and the General Accounting Office have found that the cost of access in new buildings is 1/2 to 1 percent of the construction cost. This percentage would be even lower if total costs were considered, that is, architectural and engineering fees, cost of land, landscaping, and the like. Alteration projects may be slightly higher--perhaps 3 percent of construction costs. Of course, there are exceptional cases in which cost can be higher; however, there are methods to keep costs low even in these buildings.

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*The President's Committee on Employment of the Handicapped report Selected State and Federal Laws Affecting Employment and Certain Rights of People with Disabilities, Washington, D.C., 1980, Chapter 1, p. 9.

The Board is acutely aware of the need to have accurate inventory and construction cost data so that reliable cost estimates can be developed on the Board's Minimum Guidelines and Requirements. Last August, the Board sought building inventory and cost information from the General Services Administration, the Department of Housing and Urban Development, the U. S. Postal Service and Defense. The Department of Defense provided a detailed response. Defense found that the Board's proposed rule imposed little or no additional cost above current requirements. In fact, parts of the Board's rule were even less stringent than their current practices. Defense owns approximately 60,000 buildings which are covered by the Architectural Barriers Act compared with the 2,500 buildings owned by GSA and the 3,600 owned by Postal Service.

On March 13, 1981, in response to a request by the Board, USPS provided a cost estimate of $75 million as the amount necessary for meeting the requirements for the Board's Minimum Guidelines and Requirements. This cost estimate applies to leased and owned USPS buildings. Because of the magnitude of the cost estimate, the data used in this calculation will be reviewed in order to insure that the estimate reflects only the cost difference between the formal accessibility standards of USPS and the Board's new Minimum Guidelines and Requirements.

We have requested the four standard setting agencies to estimate the total cost that will be incurred each fiscal year as a result of the Board's Minimum Guidelines and Requirements. To facilitate the agencies' response to this request, the Board has prepared comparisons of each agency's current standard with the minimum guidelines. In addition, we have developed a questionnaire to obtain basic inventory data necessary to determine the costs involved. We are working closely with the Office of Management and Budget on this request and would be pleased to provide data to you when the report is complete. The cost data submitted thus far to the Office of Management and Budget is on file at the Subcommittee Office.

We caution that you be wary of unsubstantiated cost estimates such as those found in many of the recent news articles. Critics of accessibility requirements frequently allege that the cost of the Board's minimum guidelines and requirements will be excessive, yet no one has come forth with any reliable data to substantiate this charge. The tendency has been to exaggerate accessibility costs. For example, the 1977 projected cost for removing architectural barriers from the Stanford University campus was $11 million. In 1980, after all buildings had been retrofitted, the total cost was $900,000. The cost would have been reduced further if accessibility had been incorporated in the original design or if building alterations were taking place for reasons other than accessibility.

Accessible Transportation

Question. Please describe for the record the Board's responsibilities and activities with regard to making federally funded mass transit equipment accessible for the handicapped. For the record, please describe the Zorinsky amendment which would have given local jurisdictions more discretion with regard to making

mass transit vehicles accessible to the handicapped? What is the Board's position on this issue?

Answer. The 1978 amendments to the Rehabilitation Act charged the Board with "...ensur[ing] that public conveyances, including rolling stock, are usable by, physically handicapped persons." The original act, the 1973 Rehabilitation Act, mandated the Board "... to determine what measures are being taken ... to eliminate barriers from public transportation systems (including vehicles used in such systems), and to prevent their incorporation in new or expanded transportation systems...."

Transit stations are covered by P.L. 90-480 and, therefore, must be built in conformance with the requirements for accessible design. The Board has not specifically addressed the issue of ensuring accessibility to rolling stock. The Board's Transportation Committee, of which the Department of Transportation representative is co-chair, is studying this issue and expected to make recommendations to the Board in the future.

Section 118 of S. 2720, the so-called Zorinsky Amendment, would permit transit agencies and local authorities to provide transportation to handicapped people in a manner different from the DOT 504 regulation, provided certain service standards were met. The service standard requirements incorporated in this amendment are essentially those specified in the Board policy statement adopted May 16, 1980.

While there may be some language changes the Board would prefer, the amendment is generally consistent with Board policy. In addition, the amendment required Board concurrence in the proposed alternative plan. The approach is consistent with the Board's responsibilities in regard to public transportation.

As you know, Section 118 of S. 2720 was incorporated by reference in Section 324 of the Department of Transportation and Related Agencies Appropriation Act of 1981. At its meeting of March 11, 1981, the Board approved a notice to be published in the Federal Register for comment. The notice sets forth a proposed policy for Board concurrence on such plans and it is anticipated that after comments are received the Board will adopt a final rule.

Number of Complaints Received by the Board

Question. How many complaints does the Board get a year? How many does it litigate and with what results?

Answer. The Board receives approximately 160 complaints yearly. During the past five years, 8 complaints were not resolved amicably and resulted in litigation. Two of these are currently in litigation.

As a result of the Board's first case, the U.S. Departments of Transportation and Interior were ordered to reinstall elevators which they had removed during renovation of the Union Station/National Visitors Center complex in Washington, D.C. The elevators had provided access for disabled persons between the upper and lower platforms.

In the second case, an administrative law judge directed the General Services Administration (GSA) and Department of Health, Education and Welfare (HEW) to make elevators and restrooms accessible in the Birmingham, Alabama, Social Security Center, the State's largest office building. In a third proceeding an administrative law judge ordered GSA and a private lessor to install elevators and correct handrails, restrooms, and alarms in a newly-leased Federal building in Atlanta.

Settlement agreements were reached in all other closed cases. For example, GSA, HEW, and the HEW Credit Union agreed to numerous modifications to doors, signs, elevators, restrooms, water fountains, alarms, and the cafeteria in the new Washington, D.C., headquarters building of HEW. In another case, the Executive Director agreed not to prosecute violations at a pedestrian overpass which had recently been constructed; the Federal Highway Administration agreed to enforce accessibility standards, set priorities for correcting existing facilities as they are modified for other reasons, and develop improved standards. Oral Roberts University agreed to provide accessibility to new dormitories funded by the Department of Housing and Urban Development in still another matter.

Two cases are now pending. In one the Executive Director challenges GSA's failure to make parts of a new Federal courthouse accessible. In the other he has sought to have elevators installed in several of Chicago's busiest subway stations, as the City renovates the facilities through a grant from the Department of Transportation.

Questions Submitted by Senator D'Amato

Estimates of Accessibility Costs

Question. On page two of your statement, Mr. Rose, you mention private sector estimates that indicate potential savings of billions of dollars resulting from accessibility for handicapped individuals. Would you please provide copies of those estimates for the committee? If not so provided with those estimates, please give us the source of the estimates and as much detail as possible concerning the way in which the estimates have been determined.

Answer. Estimates are derived from Rehabilitating America Toward Independence for Disabled and Elderly People, by Frank Bowe, New York, Harper and Rowe, 1980, p. 93. These figures are based upon governmental and private spending and lost wages. Mr. Bowe bases many of his calculations on those developed by M. Berkowitz and J. Rubin in The Costs of Disability: Estimates of Program Expenditures for Disability," 1967-1975. New Brunswick, NJ: Bureau of Economic Research, 1977.

> What Berkowitz and his colleagues, notably Jeffrey Rubin, did was to compare dependence and independence costs over more than one decade. (While their use of these terms differs somewhat from my own, these divergences do not affect the essential validity of the argument.)
>
> Taking into account Federal, state, local and private expenditures, they looked at income-maintenance,

medical, and direct-service payments during the period 1967-75 and made projections for 1980. In 1967, federal, state, local and private spending on dependent-oriented programs totalled $38.7 billion, while independence-oriented expenditures were less than $0.7 billion. The $39.4 billion total was 5% of the GNP for that year. By 1970, the total cost of these programs was $59.1 billion, or 6% of the GNP. Direct services (independence-oriented costs) were $1.2 billion, while transfer and medical payments incurred because of dependence were $57.9 billion. Three years later, in 1973, the total cost had reached $83 billion or 6.5% of the GNP, with $80.8 billion allocated to dependence-oriented programs and $2.3 billion to direct services. In 1975, the total was $114 billion, or 7.9% of the GNP. The proportion expended on dependence had grown to $111 billion, while that given over to direct services was $3 billion. By 1980, assuming a moderate rate of inflation, Berkowitz and Rubin estimate the dependence total will be $210 billion."

Enforcement Capability

Question. Although I am aware that you discussed it at the hearing, please provide as much detail as possible concerning your enforcement capability.

Answer. In December 1976, the Board published in the Federal Register "Practice and Procedures for Compliance Hearings." This is a formal system which provides the Board with a vehicle to process complaints which could not be amicably resolved. The regulations provide, and the 1978 amendments codified, that it is the Executive Director who initiates enforcement hearings. Compliance orders can lead to specific corrective actions or suspension/withholding of Federal funds. This has led to specific orders to reinstall elevators, remodel bathrooms, and national policy development concerning overpass and space utilization. Funds have been withheld on an ATBCB complaint. The rules were revised in 1980 to clarify them and be reflective of the 1978 Amendments.

Section 502(d) provides that the Board shall hold hearings and issue orders it deems necessary to ensure compliance with the standards of buildings and facilities issued under the Architectural Barriers Act of 1968. The 1978 amendments now allow the Board to enforce accessibility standards which will be founded on the minimum guidelines and requirements which the Board issued. The 1978 amendments also added public conveyances, including rolling stock, and expressly included the United States Postal Service buildings and facilities to the ATBCB compliance mandate.

The 1978 amendments also authorized the ATBCB to intervene, appear and participate or to appear as amicus curiae, through its own attorneys in any court of the United States (except the United States Supreme Court) or in any court of a state in civil actions which relate to Title V of the Architectural Barriers Act of 1968. The ATBCB has previously appeared as amicus in one case, arguing successfully for the continuation of an injunction barring the use of a newly constructed federally-funded facility which was not

accessible. A policy on participation as amicus curiae was adopted at the July 18, 1980, meeting of the Board and makes the Board General Counsel the focal point for all requests. The essence of that policy is that the General Counsel may deny, subject to review by the Board, such requests for participation. The General Counsel is to forward to the Board's Executive Committee any requests that merit Board participation. The Committee will then forward the requests to the Board for disposition.

Enforcement Activities

Question. Please provide for committee records a chronological breakdown of enforcement activities, including costs associated therewith, during the life of your Board.

Answer. The chronological breakdown follows:

3-77-1 Union Station

This involved the Union Station National Visitors Center complex in Washington, D.C. Violations alleged included failure to provide access for ambulatory-impaired persons between the upper and lower level of the train platforms. The Department of the Interior had removed elevators which previously served that function. The administrative law judge ordered the reinstallation of elevators. The Department of Transportation and railroad companies having an interest in the station were also parties. Corrective action has been implemented to remedy the violation. Other deficiencies, including lack of tactile signage, noncomplying doors, and ramps, were also identified and remedied while the case was pending. The decision was the first administrative case completed under Title V of the Rehabilitation Act.

6-77-2 Social Security Administration Southeastern Program Center

This case, which concerned the largest office building in the State of Alabama, focussed on four major alleged violations: urinals (which were found to be in noncompliance because the top of the lip opening exceed the 19 inch maximum), emergency buttons in elevators (which were found too high), two corridors (which were alleged to be too narrow for two persons in wheelchairs to traverse together but which were found not covered by the standard) and carpet (which were alleged to be too thick but which were held to be not covered by the standard). The corrective action ordered on the urinals and emergency elevator buttons has been implemented. Other alleged violations, such as with regard to the cafeteria, entrance, parking, pay telephones, were all identified and corrected while the case was pending.

12-77-3 Pedestrain Overpass, Omaha, Nebraska

In this case, the ATBCB interacted with the Federal Highway Administration, Department of Transportation (FHWA). It culminated in a settlement order pursuant to which FHWA agreed to urge states to inventory overpasses and underpasses built after 1968 and to develop plans to alter/modify inaccessible structures. The Executive Director agreed not to prosecute alleged violations if progress to correct inaccessible inventoried structures was being made. FHWA was to undertake rulemaking on appropriate standards

for future accessible overpasses and underpasses. FHWA and the Executive Director are to consult/inform each other on research, variances from standards, and continuation of the agreement.

12-77-4 Oral Roberts University (ORU)

At issue in this proceeding was the alleged inaccessibility of twin tower dormitories at ORU, completion of which was funded by HUD under the college housing program. The administrative law judge granted HUD's motion to dismiss on the basis that the dormitories were privately owned residential structures and therefore exempt from the accessibility mandate of the Architectural Barriers Act. The decision was appealed to the Board, but early in 1979 the Office of Legal Counsel, Department of Justice advised the ATBCB that it could take no action since the Board had only ten members and therefore lacked a quorum. (The 1978 amendments to the Rehabilitation Act expanded the membership of the Board from 9 to 21 persons.) Recently the parties have agreed upon an amicable solution to this matter under which the ORU will make certain accessibility modifications in the dormitories.

4-79-5 Hubert H. Humphrey Building

This proceeding involving the headquarters building of the Department of Health, Education and Welfare arose after protracted negotiations over a panoply of violations (e.g., excessively heavy doors, lack of tactile and visual signage, counter heights, unusable bathrooms) had failed to resolve other accessibility questions. These others were pertinent to the south side of the second floor containing the television studio and employee gymnasium. Disabled persons reached these areas only by using freight elevators or by a combination of passenger elevators. (By contrast, non-ambulatory impaired persons had direct access by stairs to these areas.) The HEW Employees' Credit Union was also a party to the proceeding. The relocation to the second floor of the Humphrey Building of the Credit Union caused the barriers to be created. The Credit Union agreed to provide interim and back-up access to the studio and gymnasium (by allowing passage through it) while GSA modified the freight elevators and lobby areas so that they were suitable for passengers and freight. GSA is to do rulemaking on the freight elevator issue. GSA, as a result of the proceedings, issued a letter to its regional administrators cautioning against the creation of barriers by the use or assignment of space and the creation of situations in the GSA accessibility retrofit program in which employees or visitors must rely on freight elevators for access.

2-80-6 101 Marietta Tower

A citation concerning 101 Marietta Tower, 101 Marietta Street, Atlanta, Georgia, was filed in February 11, 1980, against the General Services Administration and Piedmont Courtland Associates. There were numerous violations, among them were: no elevator access to the basement, no parking for handicapped individuals, no identification for blind people, inaccessible restrooms, and inadequate warning signals for deaf people. The administrative law judge ordered that these deficiencies be corrected including installation of a passenger elevator. A hearing was not held. The case was closed in June 1980.

4-80-7 State Street Mall, Eight Subway Stations

A citation concerning the State Street Mall subway was filed in April 1980 against the U.S. Department of Transportation, Urban Mass Transportation Administration (UMTA), Federal Highway Administration (FHWA), the City of Chicago, the Chicago Transit Authority CTA), and the State of Illinois. The Executive Director of the ATBCB alleged that seventeen entrances were renovated and over thirty escalators installed without providing access to any of the eight subway stations under the newly-constructed pedestrian mall. The administrative law judge has denied motions for summary judgment and motions to dismiss by UMTA, the City, and CTA, and a motion for summary judgment by the Executive Director. The State of Illinois and FHWA has been dismissed from the case. After completion of extensive discovery a hearing will be held the weeks of May 4 and 11, 1981, in Chicago.

6-80-8 Russell Building

This case involves the inaccessibility of the Richard B. Russell Federal Building, a new courthouse in Atlanta. The deficiencies at this site were originally uncovered on the ATBCB field review. Alleged violations focus on the failure to provide ramp access to jury boxes, judges' benches, court reporters' areas and bathrooms adjoining the courtrooms. The General Services Administrative and Administrative Office of the United States Courts are respondents in this pending case. A hearing is scheduled to begin on March 31, 1981, in Atlanta.

Washington Metro Case U.S.D.C. Civil No. 772-76 (D.D.C.) (Summer 1976)

In this case the ATBCB as amicus curiae successfully argued for the continuation of an injunction that prohibited use of inaccessible new subway stations in the Washington, D.C. subway system. The Court held that accessibility features must be operational for compliance to be achieved. It was not enough if a building was designed and would be constructed to be accessible.

The average cost per case is approximately $68,700. This amount is based upon estimates for the following essential elements: services of an administrative law judge; travel; computer time; stenographic services; expert witnesses; and the Board legal and support staff. For the most part, the Board does not have those costs associated with corrective action. Retrieval of this cost information would necessitate a substantive research effort.

Other Countries Deal with Architectural Barriers

Question. Please give a breakdown for the Committee of what you know about how other countries deal with architectural barriers and associated handicapped problems. What countries are most effective in dealing with these problems and how do they achieve that effectiveness?

Answer. The ATBCB, due to its resources and staff, has only minimal information on the efforts of other countries in these areas. The following information is based entirely on informal studies obtained from Barbara Duncan of Rehabilitation

International in New York City at (212) 679-6520:

1. The long distance public transportation in Europe (trains, etc., are much more advanced in terms of accessibility than in the USA.

2. Aircraft accessibility is equal in both Europe and in the USA.

3. England is more advanced when it comes to personal transportation.

4. The USA is more advanced when it comes to the accessibility of public buildings and schools.

5. Europe is ahead when it comes to accessible recreational facilities.

6. All Western industrial nations have legislation pertaining to architectural barriers removal like the USA, but only the USA has a compliance and enforcement system set up.

For further information the National Center for a Barrier-Free Environment has identified the following sources:

1. "Architecture for the Handicapped in Denmark, Sweden and Holland: A Guidebook to Normalization" by Michael Bedman published in 1974 by the University of Michigan.

2. "Architectural Facilities for the Disabled" published by the Netherland Society for Rehabilitation and the ICTA Information Center.

3. "Planning for Disabled People in the Urban Environment" published by the Federal Council for the Disabled in London in 1969.

The ATBCB hopes to obtain added information through its participation in events relating to the International Year of Disabled Persons.

Board's Funding History

Question. Provide for Committee an outline of your funding history since the inception of the Board. Before whom were your previous budget justifications made?

Answer. Up until FY 1981, the Board was funded through the Department of Health, Education, and Welfare, Office of Human Development Services. In FY 1981, the Board appeared as a line item in the Department of Education, Office of Civil Rights Salaries and Expenses appropriation. For FY 1982, the Board submitted its budget request directly to OMB as an independent agency with a separate account and appropriation.

The budget justification for FY 1981 was a separate piece within the Department of Education, Office for Civil Rights, Salaries and Expenses justification. The Executive Director was present with the Secretary of Education before the Committee on

Education and Labor.

The following is an outline of the Board's funding history:

Fiscal Year	Authorized	Allotted	Permanent Staff Ceiling
1974	$1.0 M	$ 84,000	0 - 2 HEW (detailed staff)
1975	$1.0 M	220,000	9
1976	$1.0 M	500,000	11
1977	$1.5 M	640,000	11
1978	$1.5 M	$1.0 M	20
1979	$3.0 M	$1.0 M	18
1980	$3.0 M	$1.618 M	30
1981	$3.0 M	$ 2.3 M	30

Memoranda of Understanding

Question. Are there any memoranda of understanding in existence regarding your relationship with UMTA or any other agencies involved in dealing with handicapped accessibility? If so, please provide.

Answer. The Board has entered into a series of cooperative agreements with the Department of Health and Human Services (HHS), Department of Education, the Economic Development Administration, and the State of California's Department of Rehabilitation. The objective of these agreements is threefold: to coordinate and maximize the efforts of various enforcement agencies in dealing with other Federal agencies and grantees; to promote efficiency; and to eliminate potential conflict and duplication. As part of this, the Departments of Health and Human Services and Education have agreed to direct their efforts in areas of program accessibility (accessibility of services) while the Board deals with areas relating to physical accessibility (accessibility of facilities).

Pursuant to the memoranda betweeen ATBCB, HHS and Education, copies of all notices of appropriate complaints or field reviews are disseminated to the Directors of the Office for Civil Rights and Facilities Engineering in HHS and Department of Education and to the Executive Director and Chairperson of the ATBCB. There is also an exchange of technical data. During an investigation of a complaint under Section 504 of the Rehabilitation Act, these agencies determine whether the complaint or compliance review involves a building subject to its responsibilities under the Architectural Barriers Act (ABA). If unable to do so, they will notify the ATBCB which will make a determination on jurisdiction. These agencies also investigate compliance with the ABA, propose a resolution, and notify other Federal agencies if they determine that other Federal agencies may have jurisdiction or an interest under the ABA. A copy of these will be sent to the ATBCB. If the ATBCB conducts an investigation of these agencies' facilities, it will invite their participation.

Both Federal and state agencies benefit from these agreements. The government saves money on investigative activities by preventing duplication of efforts. The state receives the most recent

technical information from the government. As the Board conducts investigations of those facilities over which the state has no jurisdiction, the state is able to be more responsive to its constituents. In addition, a viable working relationship has been established between the states and the Federal Government.

MEMORANDUM OF UNDERSTANDING
Between the Department of Education
and the Architectural and
Transportation Barriers
Compliance Board

I. Introduction

The following constitutes a Memorandum of Understanding relating to the responsibilities of the Department of Education (ED) and the Architectural and Transportation Barriers Compliance Board (A&TBCB).

Pursuant to Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. 794 (hereinafter Section 504), and the ED Section 504 regulations, 34 C.F.R. Part 104, ED has jurisdiction to identify and eliminate discrimination against otherwise qualified persons on the basis of handicap in programs receiving financial assistance from ED. Section 504 requires that all programs offered by recipients in buildings in existence before June 3, 1977, be made accessible to handicapped persons. In many cases the program can be made accessible without structural modification through relocation of the program and other means. Recipients are required, however, to make buildings designed and constructed, as well as portions of buildings altered, after June 3, 1977, readily accessible to handicapped persons.

ED also has responsibilities under the Architectural Barriers Act (hereinafter the ABA), 42 U.S.C. 4151 et seq., to insure that certain buildings constructed, altered or designed with ED funds after September 2, 1969, including buildings utilizing Department of Health, Education, and Welfare funds prior to May 4, 1980, are readily accessible to and usable by handicapped persons.

The A&TBCB, pursuant to Section 502 of the Rehabilitation Act of 1973 (hereinafter Section 502), 29 U.S.C. 792, is charged with enforcement of compliance with the standards prescribed under the ABA. The A&TBCB oversees the compliance of Federal agencies with their obligations under the ABA. In addition, the A&TBCB is authorized to establish minimum guidelines and requirements for ABA standards under the 1978 amendments to Section 502.

II. Purpose

The purpose of this Memorandum of Understanding is to further coordination of ED's enforcement of Section 504 and the ABA with the A&TBCB's enforcement of the Architectural Barriers Act of 1968 and to promote consistency in Federal efforts under Title V of the Rehabilitation Act of 1973, as amended.

III. Liaison

The following persons shall receive copies of all notifications made pursuant to this Memorandum of Understanding.

For ED:

(1) Assistant Secretary for Civil Rights or the designee of the Assistant Secretary for Civil Rights.

(2) Assistant Secretary for Management and the Director of the Office of Facilities Engineering (OFE) at HHS or the designee of the Assistant Secretary for Management.

(3) Secretary of ED as ED's representative to the A&TBCB or the Secretary's designee.

For the A&TBCB:

(1) Executive Director of the A&TBCB or the Executive Director's designee.

(2) Chairperson of the A&TBCB or the Chairperson's designee.

If any of these officials appoints a designee for receipt of notifications, the official shall notify the relevant officials of the other agencies.

IV. Training

The parties to this Memorandum of Understanding recognize the need to share information pertaining to their respective authority and requirements and to assist in disseminating this information by participating, to the extent resources permit, in the relevant training activities of the other party.

(1) Within the limits of its resources and upon receiving a request giving at least four (4) weeks written notice by ED, the A&TBCB will provide technical training to such ED staff as may be designated by ED concerning:

(a) The A&TBCB's jurisdiction under Section 502.

(b) The relevant architectural accessibility standards and guidelines established under the ABA.

(c) The compliance and enforcement procedures of the A&TBCB.

(d) Other mutually agreed upon subjects.

(2) Within the limits of its resources and upon receiving a request giving at least four (4) weeks written notice by the A&TBCB, ED will provide technical training to the staff of the A&TBCB concerning:

(a) The program accessibility requirements of Subpart C of ED's Section 504 regulation.

(b) The compliance and enforcement procedures of ED.

(c) Other mutually agreed upon subjects.

V. Technical Assistance

(1) The A&TBCB will concentrate its technical assistance activities on providing information on architectural accessibility under the ABA to government agencies and other interested parties. The A&TBCB will not provide technical assistance on the program accessibility requirements of Subpart C of ED's Section 504 regulation.

(2) ED will continue to provide technical assistance on the standards of Subpart C of ED's Section 504 regulation, consulting with the A&TBCB, as appropriate.

VI. Notification of Federal Agencies

(1) ED will notify other Federal agencies of complaints, complaint investigations, and compliance reviews if it determines that the other Federal agencies may have jurisdiction or an interest under the ABA. A copy of the notification including the complaint will be sent to the A&TBCB.

(2) The A&TBCB will notify other Federal agencies of complaints, complaint investigations, or reviews initiated by the A&TBCB if it determines that the other Federal agencies may have jurisdiction or an interest under the ABA.

VII. Coordination of Compliance Procedures

The parties will adhere to the following procedures:

(1) As part of its Section 504 complaint investigations and compliance reviews, and as resources permit, ED will:

(a) Determine if the Section 504 complaint or compliance review involves a building subject to ED's responsibility under the ABA.

(b) ED will investigate the compliance of buildings identified under subsection (a) with the requirements of the ABA. When ED is unable, because of a lack of resources, to determine in the course of a Section 504 review whether a building subject to its responsibility is in compliance with the ABA, it will notify the A&TBCB.

(2) When ED receives an ABA complaint from the A&TBCB or any other source against a building under ED's ABA responsibility, ED will investigate compliance with the requirements of the ABA.

(3) Once ED makes an assessment of compliance or noncompliance with the ABA, ED will propose a resolution to the recipient and the A&TBCB. The notification to the A&TBCB will include all information reasonably necessary for the A&TBCB's determination.

(4) Upon receipt of the assessment or proposed resolution from ED, the A&TBCB will notify ED in writing within 10 days if the report does not include all information reasonably necessary for a decision by the A&TBCB.

(5) Within thirty (30) days of receipt of the assessment or proposed resolution from ED, the A&TBCB will advise ED in writing whether it accepts or rejects the assessment or proposed resolution. Failure to object during the thirty (30) day period to an assessment or proposed resolution will constitute the A&TBCB's acceptance of the assessment or proposed resolution. If the A&TBCB rejects the proposed resolution it will propose an alternate resolution.

(6) If the A&TBCB rejects the ED assessment or proposed resolution, ED will so notify the recipient and will proceed to act under its Section 504 authority. The A&TBCB will proceed under its Section 502 authority.

(7) The parties agree that there should be an overall time objective of ninety (90) days for accomplishment of sections 1-6 above. However, the parties reserve the right to ask each other for expedited processing of particular matters if special factors indicate the potential for immediate or irreparable harm.

(8) If the A&TBCB conducts an investigation of an ED recipient on its own initiative, it will invite the participation of ED. The A&TBCB will not investigate compliance with Section 504. The A&TBCB will notify ED of architectural barrier problems not subject to the ABA, but which may violate ED's Section 504 regulation.

VIII. Amendment and Termination

This agreement may be amended by the mutual consent of both parties or terminated by either party upon thirty (30) days written notice.

Shirley M. Hufstedler
Secretary
Department of Education

Date OCT 08 1980

Max Cleland
Chairperson
Architectural and Transportation
Barriers Compliance Board

Date NOV 14 1980

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

STATEMENT OF RICHARD S. PAGE, GENERAL MANAGER

ACCOMPANIED BY:

WILLIAM A. BOLEYN, ASSISTANT GENERAL MANAGER FOR FINANCE AND COMPTROLLER

JOHN S. EGBERT, ASSISTANT GENERAL MANAGER FOR DESIGN AND CONSTRUCTION

ECKHARD BENNEWITZ, DIRECTOR, OFFICE OF BUDGET AND MANAGEMENT ANALYSIS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. Our next group of witnesses represents the Washington Metropolitan Area Transit Authority. I think everybody knows what Metro is. Everybody has a fare card and has lost their fare card or had a fare card that wouldn't work. Metro has taken care of that problem pretty well. I have also been able to find at least one machine in every Metro station that worked.

Our chief witness today is Mr. Richard S. Page, General Manager of Metro.

Mr. Page, you may introduce your associates and then summarize your statement, if you wish, touching on the high points. The entire text of your statement will be included in the record and we can then proceed to questions.

INTRODUCTION OF ASSOCIATES

Mr. PAGE. Thank you, Mr. Chairman.

On my left is Mr. Egbert, Assistant General Manager for Design and Construction; Mr. William Boleyn, Assistant General Manager for Finance; and Mr. Eckhard Bennewitz, Director of the Office of Budget and Management Analysis.

It is a pleasure to be here and to report to you on our progress, and to discuss with you our requests for the coming fiscal year.

ACHIEVEMENTS IN 1980

We have made considerable progress in the past year. Ridership on both bus and rail continues to increase. We now carry over 40 percent of the workers who enter the central business district of this metropolitan area and we carry about 20 percent of all people who go to work in the entire Metro area.

We opened a new phase of Metrorail last fall, 3.7 miles and three stations. We operate 38 miles and 41 stations and carry nearly 300,000 riders a day. Both Virginia and Maryland have passed legislation to comply with the Federal statute to put in place stable and reliable sources of revenue.

We conducted a special study of absenteeism to identify some of the problems and potential solutions to the high cost of absenteeism.

We also have completed and are implementing a reorganization study.

Work continues on 94 new railcars being built by the Breda Co. of Italy, and I emphasize it is American subcontractors who provide about 60 percent of the value of that contract. An option for 200 more cars is due this spring.

We have begun construction of the first new bus garage at Nicholson Lane. It is expected to open in mid-1982. We have let nine contracts for two additional new bus garages.

We are continuing our regular bus and equipment capital improvement program, including shelters and new buses.

Finally, we have completed additional agreements for the joint development of air rights owned by the Authority over some of the stations. Six agreements are in place; two have been completed. The sixth is a big development at the Bethesda station due to open in 2½ years. The value of that agreement alone is over $100 million in private investment for hotel, retail, and office space above our station.

Our progress on the rail construction program which began over 10 years ago is in the home stretch, both physically and financially. We have financed over $4.8 billion in a combination of Federal, State, and local contributions

Over 60 percent of the system is in operation, substantially completed, or under construction.

To complete the 101-mile system, which is the adopted goal of our board of directors and has been approved by executive officials and in the so-called Stark-Harris law of 1980, we estimated that another $700 million in interstate highway transfer funds would be available from withdrawal of Maryland and District of Columbia interstate highway route segments. Another $1.7 billion of Federal funding was authorized by the Stark-Harris law, Public Law 96–184. These funds with matching funds from State and local governments of $500 million will provide total capital funds of $2.9 billion beyond the current fiscal year.

STATUS OF STABLE AND RELIABLE FUNDING SOURCES

The statement then proceeds to identify the actions of Virginia, Maryland and the District of Columbia to meet the intent of the stable and reliable provision of that Public Law 96–184.

In the District of Columbia the Mayor has proposed a plan which is pending before the City Council. His plan would earmark revenues from several taxing sources and those revenues would exceed the requirements for the District of Columbia's operating payments to Metro.

I commend the jurisdictions and their efforts to establish these sources. They have met the first deadline in the Federal act, which is to provide a plan by September 30, 1980. The next deadline is August 15, 1982, when the law must be in place before the Secretary of Transportation can approve additional grants for construction.

REQUEST FOR FISCAL YEAR 1982 BOND INTEREST

That law, Public Law 96–184, also stipulated that there shall be an agreement between the Federal Government and the three major local jurisdictions for the repayment of the principal and interest of the initial bond issue which started Metro's construction program. We have reached that agreement; it is ratified in the law.

Our fiscal 1982 request of $65.8 million represents the Federal share under the terms of that agreement.

REQUEST FOR FISCAL YEAR 1982 CONSTRUCTION FUNDING

The Authority's funding request for construction submitted to OMB last summer, was for $200 million of supplemental interstate transfer funds in fiscal 1981 and $487 million in Stark-Harris funds in fiscal 1982.

The request was based on scheduling of projects approved by the board of directors. The scheduling of projects was based on total annual funding levels between $600 to $650 million and would complete the system in 1989, at a cost of $8.2 billion.

The budget submitted by former President Carter reduced those requests to $65 million for the supplemental and $350 million for fiscal 1982, all coming from the interstate highway transfer account.

Our understanding is that the new administration has eliminated the fiscal 1981 supplemental request and has recommended to the Congress only $600 million in interstate highway transfer funds for all elegible transit projects around the country. This would represent a 20-percent decrease from Mr. Carter's proposed budget.

Obviously, I and our agency and all citizens applaud President Reagan's efforts to control inflation. We recognize that all programs must bear a portion of the burden.

We are requesting that the fiscal 1982 funding for our construction program be sustained at the $350 million level. That represents about one-half of the program we prepared last summer and submitted to OMB.

If the committee and the Congress were to so choose, part of our construction funds could be appropriated pursuant to the authorization contained in Public Law 96–184. I think it is important, and our agency recommends, that Congress establish the precedent of using some funds from this legislation in addition to the interstate highway transfer fund.

The Metro construction program has already suffered the impacts of delay and inflation. Funding which we anticipated would be more than sufficient to complete construction was partly consumed by inflation. Since the system cost estimate was first presented in 1970, $3 billion of the increase in cost is directly attributable to inflation and schedule delays.

The reduced funding over the past 4 years has caused a backlog of work that is ready for construction. For example, we believe we could obligate approximately $2 billion of construction work in the next 2½ years if funds were available. We feel the ability to obligate the dollars quickly by putting money back in the economy should be one of our priorities when allocating transit funding. It would help to maintain the schedules to complete this system.

In our program for next year, $350 million, we place high priority on closing out the funding required to complete the first 60 miles of the system on which construction is nearly complete.

If Mr. Egbert will point to this map, I will identify the segment from National Airport to Huntington, four stations south of the airport; the segment from Dupont Circle north to Van Ness and then the extension all the way to Shady Grove; and the Pentagon shuttle, the so-called L route from the Pentagon across the river and into the central part of the city.

When those three segments are added to the routes in solid color, that is the 60 miles nearly funded. We expect to open the Huntington, Pentagon, and Van Ness segments in 1982 and the Shady Grove segment in 1983.

In addition, in the coming fiscal year we would allocate funds to advance the other operable segments that are under construction and that have high priority within the region.

I emphasize we are already in the midst of construction on these three additional segments—Anacostia to U Street, through the central part of the city where ridership is extremely high and dependence on transit is extremely high; Ballston to Vienna, the extension on the K route where we are under construction on three of the four stations; and on the extension of the Red Line north of Silver Spring. We are building the first station at Forest Glen.

PROPOSED DULLES EXTENSION

Senator ANDREWS. But you have no program routing of Metro to Dulles Airport?

Mr. PAGE. No, sir; we do not.

Senator ANDREWS. We hear so often before this committee the concern about National Airport and the overcrowding. We also hear the reason that Dulles is not used is that you can't estimate how long it is going to take you to get to Dulles within an hour. It is either going to take three-quarters of an hour or an hour and three-quarters, depending on what time of the day you go or what has happened along those crowded routes.

Mr. PAGE. We have done two things on that subject, Mr. Chairman. In the construction program on the K route we have built into the track a turnout in the event that in the future Congress will want to build the rail extension to Dulles. That turnout will be in place.

The second thing we have done is conduct a preliminary engineering study of how we would do it if and when somebody wanted it done. That study suggested three stations, one at Tysons Corner, one at Reston, and a terminal station at Dulles and the alinement would be in the median of the Dulles access road.

Senator ANDREWS. Would that be cost effective or would that have to be a heavily subsidized route?

Mr. PAGE. We have a fare structure, with the fare card machines which you alluded to, which charges by distance. That distance is 15 or 16 miles from the turnout on the K route, so anybody going to Dulles would obviously pay quite a bit on that mileage-based fare.

Senator ANDREWS. It would be aboveground construction and the median is already owned by the Federal Government?

Mr. PAGE. For the most part, Senator, and the longest distance. There is an expensive segment from the K line out to the Beltway at Tysons Corner. That would cost us a little money, but the rest of it is on federally owned property and would be surface construction.

Let me give you an example which I have personally seen. London built a rail extension to the Heathrow Airport; it is about the same distance—15 miles; it is a spur off their existing system; it costs $3.50 to ride the subway to the airport; it delivered me to an underground station. You go on an aboveground walkway and up an escalator and you are at the checking gates at that airport. That was a little bit expensive but it is clearly safe and reliable.

Senator ANDREWS. And a lot cheaper than a taxicab?

Mr. PAGE. Yes.

Senator ANDREWS. Plus you can count on the time that it would take to get on the route in downtown Washington, or wherever you did, you would be able to estimate within 10 or 15 minutes what time it would take you to arrive at the Dulles Airport.

Mr. PAGE. The balance of the statement, on page 6, indicates what we would have to do if we received less than $350 million. We would have to pare back on those segments where we are in construction today. I would emphasize the last paragraph on page 6. Delays are uneconomical partly because of inflation, but partly because the Federal Government already has a large investment made in all the operable segments on that 101-mile system.

We estimate that some $500 million has already been committed in design, engineering, real estate, and construction beyond the 60-mile system.

That completes my prepared statement, Mr. Chairman.

We are here to answer your questions and to be helpful to the committee.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

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Statement of Richard S. Page

It is a pleasure to appear before you today and to have this opportunity to present the Authority's program and funding needs for the next fiscal year and to outline the progress we have made during the past year in implementing the financial plan and improving public transportation throughout the National Capital region. In reviewing the FY 1982 program, it is important to recall what progress this region--federal, state, and local governments and the Authority--has made in making public transportation a safe, responsive and effective public service for the citizens of the Washington area.

Considerable progress has been made over the past year in the following areas:

- Ridership for both bus and rail continues to increase. Work trips via mass transit to the central business district now approach forty percent of the total work trips by all modes. Our FY 1980 ridership was the highest since 1954.

- Metrorail Phase IVA opened in November 1980, which added an additional 3.7 miles and 3 stations (Benning Road, Capitol Heights and Addison Road) to the system. Currently, 38 miles and 41 stations are in operation and carry in excess of 275,000 riders per working day.

- Virginia and Maryland legislatures passed legislation creating "stable and reliable" sources of revenue for Metro operating and debt service assistance. The District of Columbia is currently considering similar legislation and anticipates its passage this year.

- An Absenteeism Study was conducted to identify the causes and possible cures in WMATA operations. This comprehensive study received wide-spread acclaim throughout the transit industry.

- Metro completed an in-depth study of the internal WMATA organization and is currently implementing the findings and recommendations of the report. This reorganization will place greater authority and responsibility on line managers and will provide greater responsiveness and accountability to the public.

- Work is continuing on 94 new rail cars being built by Breda Construction of Italy and its American subcontractors. First deliveries are planned for late 1981.

- Construction has been started on the first new bus garage, Nicholson Lane, since Metro took over operation of the public bus system. In addition, design contracts on the Springfield and Landover Garages were let.

- Major bus and equipment capital improvement programs are continuing including the expansion of the bus shelter program and signs and the planned delivery of 30 additional articulated buses in FY 1982.

- Joint development agreements involving six projects at station locations have been finalized between WMATA and private developers to date. Two of these have been completed: Rosslyn Center at the Rosslyn Station and the Connecticut Connection at the L Street entrance to the Farragut North Station. The other three at McPherson Square, Van Ness-UDC and the Friendship Heights Stations will be under construction in early 1981. A sixth agreement at the Bethesda Station has been reached involving over $100 million of private investment by a local developer. These first five projects total in excess of $120 million in present dollars and involve

enhanced ridership levels, local tax benefits and value capture to WMATA in terms of cost recovery and future income annuities that can be applied against operating costs.

Our progress has brought the rail construction program into the homestretch, both physically and financially. We have financed over $4.8 billion toward the cost of constructing the 101-mile system and have assured federal, state and local funding for much of the balance. Over sixty percent of the system is either in operation, substantially completed or under construction. Of the $4.8 billion in approved grants through FY 1981, $3.0 billion was from federal appropriations and grants, $.8 billion was from state and local contributions, $.3 billion was from investment earnings, and $.8 billion was funded from bond proceeds on which interest and principal repayment is shared on a two-thirds federal/one-third local basis.

Funds committed or obligated for construction work have achieved:

- o 38 miles and 41 stations into revenue operation;
- o 16 miles and 5 stations to near completion;
- o 15 miles and 17 stations under construction;
- o 15 miles and 10 stations under final design; and
- o 23 miles and 13 stations under general plan development.

To complete the 101-mile system, we estimate that another $700 million of interstate transfer funds will be available from withdrawal of Maryland and District of Columbia interstate highway route segments. Another $1.7 billion of federal funding was authorized by the Stark-Harris legislation (PL 96-184). These funds plus matching funds from state and local governments of $500 million will provide total funding of $2.9 billion beyond FY 1981.

You may recall that the Stark-Harris legislation provides eighty percent federal funding of $1.7 billion and authorizes appropriation of these funds beginning in FY 1982. The legislation does require that the state and local participating governments have approved legislation for stable and reliable revenue sources before the Secretary of Transportation can approve grants utilizing these funds. The Act sets a deadline of August 15, 1982 to meet this requirement, and we are confident we will meet that date.

Status of Stable and Reliable

As specified in the legislation, the Authority on September 30, 1980, submitted a plan for securing stable and reliable revenue sources in each of the three major jurisdictions. This plan is now being reviewed by the Department of Transportation. In brief, the plan is as follows:

In Virginia, the Governor and the General Assembly approved the levy of a sales tax on the retail price of motor fuel sold within the Northern Virginia Transportation District. The tax went into effect on July 1, 1980, at a rate of two percent. The rate will increase to four percent on July 1, 1982.

An estimate of yield is difficult to predict in today's unstable energy environment. Yields are estimated to cover nearly one-third of the FY 1981 requirement and nearly 65 percent of the FY 1983 requirement.

In Maryland, the Governor and the General Assembly approved legislation authorizing the "Maryland Transportation Trust Fund" to pay 100 percent of the capital costs of the Washington Suburban Transit District, 75

percent of the Transit District's debt service costs on WMATA revenue bonds, and 75 percent of the Transit District's operating assistance requirements net of federal operating assistance. The legislation also specifies that should revenues recover less than 50 percent of costs, the shortfall would be funded by the jurisdictions. The Maryland Transportation Trust Fund finances all state transportation costs in addition to providing assistance to the Baltimore and Washington area jurisdictions. The revenue sources earmarked for the Fund are:

- All of the motor vehicle gasoline tax
- All fees from oversize and overweight vehicle permits
- All revenues of the Motor Vehicle Administration
- One percent of the excise tax
- Three percent of the corporate income tax for 1981-1985, increasing to 3.5 percent in 1986 and beyond.

State assistance in FY 1981 will fund $23 million or seventy percent of the $34 million, net operating and debt service assistance allocated to the Transit District. In FY 1982, this level will be approximately the same. Forecasts for fiscal year 1983 indicate a Maryland requirement for operating and debt service assistance net of federal assistance of $50-55 million. Funding from the trust fund will provide $36 million or nearly 70 percent of the requirement.

Mayor Barry has proposed a "stable and reliable" plan along with implementing legislation to the City Council of the District of Columbia. The City Council has scheduled a hearing for May 15, 1981. The proposed legislation would establish a "Metrobus/Metrorail Account" within the District's general fund. Revenues would include various sales taxes, motor fuel tax, and parking meter fees.

The District estimates that these revenue sources would yield $116 million in FY 1983. Operating assistance forecasts indicate that the District's FY 1983 needs for operating assistance will total nearly $100 million net of federal operating assistance. Thus, the Mayor's proposed legislation will exceed the requirements for a stable and reliable funding source.

I commend the jurisdictions in their efforts to establish these stable and reliable revenue sources. The Maryland and Virginia jurisdictions worked long and hard to secure passage of legislation in their general assemblies. These efforts spanned several years and resulted in, not only a plan as required by the federal law, but the execution of those plans more than two years ahead of the required date of August 15, 1982. The Mayor of the District of Columbia has developed a viable plan and implementing legislation and has committed his best efforts to its enactment. He has done this at a time when the City is facing serious cash flow problems, a time when the earmarking of revenues for specific programs is normally avoided. Thus, implementing legislation is in place in two signatories (Maryland and Virginia) and Mayor Barry has set as his goal implementation effective at the start of FY 1982.

Request for Bond Interest Funding

One of the most difficult issues which confronted the region for several years was the funding of interest and repayment of principal on the Authority's revenue bonds. The resolution of this issue was a major step towards implementation of the Authority's financial plan.

The terms of the Initial Bond Repayment Participation Agreement were incorporated into PL 96-184, the Stark-Harris legislation, and provide for

two-thirds federal/one-third local sharing of principal and interest costs. The Agreement further provides that for bond interest payments made from July 1, 1979 through July 1, 1982, additional federal funding not to exceed 18-1/3 percent of the interest cost may be advanced. This funding is available at the Authority's option and if utilized must be repaid with interest no later than January 1, 1993.

The FY 1982 request represents the federal share under the terms of the Agreement, $65.8 million, net of prior year appropriation balances of $4.1 million and a FY 1981 balance of $5.1 million from those jurisdictions not utilizing federal accelerated appropriations in FY 1981. The request further assumes that the same localities will elect not to utilize accelerated federal appropriations in FY 1982, thereby reducing the request by another $5.1 million, leaving a net request of $51.6 million. In the event that any of these jurisdictions elect to utilize federal accelerated funds in FY 1982, an additional request for the appropriate amount will be submitted.

Request For Rail Construction Funding

The Authority's funding request submitted to OMB last summer was for $203.7 million of supplemental interstate transfer funds in FY 1981 and $487.7 million of Stark-Harris funds in FY 1982. These requests were based on a scheduling of projects approved by the WMATA Board of Directors to complete the 101-mile system. The scheduling of projects was based on total annual funding levels in the range of $600-650 million and would complete the system in 1989 at a cost of $8.2 billion.

The budget submitted by former President Carter reduced these requests to $65 million for the FY 1981 supplemental and $350 million for FY 1982. I understand that the new Administration has eliminated the FY 1981 supplemental request and has recommended to the Congress only $600 million in interstate highway transfer funds for all eligible transit projects. This represents a twenty percent decrease from President Carter's Budget.

While I applaud President Reagan's efforts to control inflation and I recognize that all programs must bear a portion of the burden, I am requesting that FY 1982 funding for the construction program be sustained at the $350 million level. If the Committee chooses, part of the WMATA total could be appropriated pursuant to the authorization constraints in PL 96-184. I think it is important and WMATA recommends that Congress establish the precedent of using this authorization. This Metro construction program has already suffered the impacts of delay and inflation. Funding, which we anticipated would be more than sufficient to complete construction of the 101-mile system, was consumed by inflation. Since the system cost estimate was first presented in 1970, nearly $3.1 billion increase in cost is directly attributable to inflation and schedule delays.

We feel this construction program is a realistic compromise during this time of budget cuts and high inflation. If our annual $275 million program starting in 1978 would have tracked with the inflation rate, the 1982 program would be approximately $400 million (federal). As you can see, the $350 million we are requesting, falls some 16% short of staying even with inflation. In terms of purchasing power, this level of funding is substantially less than we had in 1978 and at a time when we have construction packages ready for advertisement.

The reduced funding over the previous four (4) year period (FY 1978-1981) has caused a backlog of work that is ready for construction. For example, we could obligate approximately $2.0 billion of construction work in the next two and one-half years if funds were available. We feel that the ability to obligate the dollars quickly by putting the money back into the economy should be one of your priorities when allocating transit funding.

In our proposed program for next year, we are placing high priority on closing out the funding required for completion of the 60 miles of the system on which construction is nearly complete - National Airport to Huntington, Dupont Circle to Shady Grove, and the Pentagon Shuttle. We are allocating funds to advance the other operable segments that are under construction and that have high priority within the region - Anacostia to U-Street, Ballston to Vienna and the extension of the Red Line beyond Silver Spring. We are also balancing the program by providing additional rail cars to make the above lines operable, and we are providing design and real estate resources required for follow on construction activities.

If we are forced to live within a funding level smaller than $350 million, we must delay at least one large structural contract on the Inner Green Line or two smaller contracts affecting other segments that are currently under construction. Either one of the above alternatives would have significant impacts, i.e., a delay of a structural contract on the Inner Green Line translates to a two-year slip in the operation date of this particularly vital urban segment. On the other hand, if we had to delay two smaller projects, the Vienna Line operational date would be delayed an additional year. Thus, either reduced alternative has lasting consequences for the Region. As you are aware, a reduction in funding has an irreparable cascading effect on all the operable segments in the region.

These funding delays are uneconomical because the federal government already has large investments made in all of the operable segments within the 101-mile system. In addition to the federal funding already approved on each of the lines, there are additional federal funds expended on numerous system support facilities that have been designed and constructed to support the total system.

Thank you Mr. Chairman for giving us this opportunity to present our FY 1982 needs and to provide a summary of the program and progress. I look forward to working with you and your Committee to further improve public transportation throughout the Washington region.

STATUS OF LOCAL FUNDING COMMITMENTS

Senator ANDREWS. How would you characterize the extent of local commitment to continued future funding in the participation of the Metro system?

Mr. PAGE. I think that the local commitment is solid and strong. There are construction funds earmarked by legislation in Maryland for 100 percent of the Maryland share of the total cost. The District of Columbia's share comes through the Federal appropriations process and through the District and the Congress. There have always been adequate funds in the District of Columbia capital budget for this program.

In Virginia, at least two of the jurisdictions will go to referendums this fall to raise the funds through a local bond issue for their share of the next 4 or 5 years of the construction program. We have had referendums before in the early 1970's, before we had any Metrorail that was showing its value to this region, and those referendums passed overwhelmingly.

I would emphasize that all of the local governments have paid their constructions funds and this program has moved forward. They have also argued about the priorities in the construction schedule, but the money has been coming.

Senator ANDREWS. To your mind, things are on schedule and are coming along quite well in that regard?

Mr. PAGE. Yes, sir.

IMPACT OF REDUCTIONS IN FEDERAL OPERATING ASSISTANCE

Senator ANDREWS. If President Reagan's proposal to phase out the operating subsidy by 1985 is implemented, how will that affect your cost, your fares and your level of service?

Mr. PAGE. We get operating subsidies as part of the national program. We do not have special legislation or any special assistance on the operating side. We get about $26 million which is about 9 percent of our total revenues from the Federal operating program.

Our fares cover about 48 or 49 percent of our operating costs. If that Federal subsidy program were phased out over the next 5 years, our fares will rise more quickly than they would otherwise. We would cut some service.

Frankly, we are in a little better position than many transit systems around the country to absorb that kind of change because it is only 9 percent of our total operating revenues. There are some systems around the country that get 25, 30, even 45 percent of their operating revenues coming from the Federal Government.

IMPACT OF REDUCED INTERSTATE TRANSFER GRANTS

Senator ANDREWS. You mentioned earlier in the prepared testimony the importance of interstate transfer grants. What would be the impact of a 20-percent reduction in these grants?

Mr. PAGE. Do you mean on us or do you mean on a national basis?

Senator ANDREWS. On you, because that is the thing that is rattling around, that the interstate funding in the new budget will sustain roughly a 20-percent cutback, and if you cut back the interstate funds available, you will be cutting back the transfer grants as well.

Mr. PAGE. We have asked for $350 million in combination with interstate highway and Stark-Harris funds. If you cut that by 20 percent, we would be back to our former Federal level of about $275 to $280 million. Frankly, Mr. Chairman, we feel that we have been trapped at that level for the last 3 or 4 years. We would have to pare back some of the specific projects that we would plan to let bids on in 1982. We would commit what money we got from you into our highest priorities—completing the first 60 miles of the system, and then working on construction which has started on those other three lines.

So, to be specific, we would probably not let certain contracts on the K route out to Vienna or the inner Green Route from U Street to Anacostia, because we would concentrate what funds we received to complete the first 60 miles of the system.

We have and we can make available to the committee a comparison of what we call the $350 million and the $275 million levels.

Senator ANDREWS. If you could, that would give us some insight, because the problem that you would have with this 20-percent cutback is a problem similar to that being experienced by other authorities that are using interstate transfer funds. I would like to have as complete an overview as I can of this impact of the 20-percent stretchout.

[The information follows:]

Question. Provide comparison between the $275 million and $350 million program of Federal funding for rail capital construction. Indicate the impact of slippage in readiness.

Answer. The Authority has not adopted a construction schedule at the $275 or $350 million Federal funding level to date. The following is a comparison of two programs that have been proposed for adoption for fiscal year 1982; each is subject to change:

Fiscal year 1982 $350 Million (Federal).—Fund to operations: Blue Line to Huntington; Red Line to Shady Grove; Yellow Line Shuttle; Purchase 20 rail vehicles; Structural contracts: Vienna Station; Forest Glen tail tracks; Anacostia Station and Line; Shaw Station and Line; and project management, insurance, contingency.

Fiscal year 1982 $275 Million (Federal).—Fund to operations: Blue Line to Huntington; Red Line to Shady Grove; Yellow Line Shuttle; Purchase 20 rail vehicles; Structural contracts: Vienna Station; Forest Glen tail tracks; Anacostia Station and Line; Shaw Station and Line not funded; and project management, insurance, contingency.

The major impact of the reduced funding is the delay of a major structural contract on the Inner Green Line which delays the operational readiness date by 1 year.

FARE INCREASES AND RIDERSHIP

Senator ANDREWS. What impact, if any does your recent fare increase have on ridership?

Mr. PAGE. As best we can measure it, Senator, we lost about 6 million riders after the July 1 fare increase and possibly another 3 million riders after the January 1 increase. That is an annual total of 190 million riders, bus and rail.

Senator ANDREWS. Where do they go?

Mr. PAGE. They go back to their cars.

Senator ANDREWS. They find the automobile is cheaper?

Mr. PAGE. For some of them, they do. I will give you an illustration: It costs about $4 a roundtrip for a commuter to drive into point D on that map, the New Carrollton station. He pays $1 for parking; he pays $1.50 to ride downtown on rail and $1.50 back. He pays $4 a day and he must pay that in cash that day; whereas, the automobile costs may be greater but they are sometimes hidden; he can pay through a credit card or through a monthly billing. So it is $4 a roundtrip for a long-distance suburban ride downtown.

We have heard from a number of citizens that that is beginning to make them recalculate whether they are going to drive or whether they are going to take the transit system.

Senator ANDREWS. It is primarily the long-haul ridership that has fallen off?

Mr. PAGE. As best we know, Mr. Chairman. We don't know that very precisely. We raised all fares about 20 percent in July and another 10 percent in January. For instance, the off-peak bus fare in the District of Columbia, where many of our low-income citizens live, went from 40 cents last June to 60 cents in January, a 50-percent incease in the off-peak bus fare. Now, people are still riding the bus but that probably means that some people are walking or sharing a ride or not making the trip.

Senator ANDREWS. In your fare policy, do you have any distinctions between bus and rail? Could you provide for the committee what differentiation you have in fare policy between bus and rail and also identify any discretion that lies with the many member jurisdictions in regard to fare policy?

Mr. PAGE. Yes, sir; we will do that. It has been a very complicated fare structure; it still is; but in January we did make some big strides so that now the standard charge to get on a Metro vehicle is 60 cents in all jurisdictions, anytime, day or night. Then you pay by distance in the peak hours and the rail is a somewhat more expensive fare. We will give you a discussion of that.

Senator ANDREWS. Fine.

[The information follows:]

Question. Discuss the Authority's fare policy for bus and rail. Describe the objectives, approach, and application for the record.

Answer. While the WMATA Board of Directors has not adopted a formal fare policy, it has approved a long-range planning assumption of annual fare adjustments, with Metrorail fares increasing at a rate equal to the full Consumer Price Index and Metrobus fares increasing at about three-fourths of CPI. This long-range assumption is approximately what the Board has actually implemented over the last few years and has served as the planning assumption for subsequent year budget development. It should be noted that while two fare increases were implemented in fiscal year 1981, the second one was occasioned by an inflation rate far in excess of that previously estimated.

The planning assumption contained in the formulation of the fiscal year 1982 WMATA budget—which is presently undergoing local government review—is for a fare increase to take effect midway through fiscal year 1982, that is early January 1982.

The present Metrobus fare structure is based on zones wherein a patron pays a boarding charge—60 cents—plus zone charges where applicable. Only State crossing zones charges are applicable during the off-peak periods. Certain surcharges, express charges, and special fares are charged on a select few routes. Rail-to-bus transfer discounts are available with a differing value in each signatory; separate fares are charged in the bus-to-rail direction. Attached is a more detailed description of the actual Metrobus fare levels.

The present Metrorail fare structure is based on mileage during the peak period wherein a patron pays a 60-cent fare for the first 3 miles and 12.5 cents per mile thereafter. A flat fare of 60 cents is charged during the off-peak periods for any rail trip systemwide. Special adjustments are made for selected rail trips. A copy of the peak period station-to-station matrix is attached.

METRORAIL FARE STRUCTURE
(Effective January 1, 1981)

	Regular Fares		
	Peak Periods (1)	Off-Peak (2) Periods (5)	Elderly and (3) Handicapped
First Three Composite Miles (4)	$.60	$.60	1/2 Peak Fare (6)
Each Additional Composite Mile	.125	-	1/2 Peak Fare

Rail-Bus Transfers
(See page 29)

Rail fares will be determined based at the time riders enter the rail fare gates for peak and off-peak rates.

Schedule A indicates the station-to-station peak period fares through Phase IVA; Schedule B provides the off-peak fares; and Schedule C provides the senior citizen/handicapped fares.

NOTE: A "Modified South River Crossing" approach was used to calculate fares from Arlington Cemetery, Pentagon, Pentagon City, Crystal City and National Airport in order to reduce the impact of eliminating the former Pentagon-Rosslyn adjustment.

Also, peak period rail fares to and from Benning Rd., Deanwood or Minnesota Ave. Metrorail Stations have been adjusted downward by ten cents at the request of the District of Columbia. Revenue loss associated with this adjustment will be reimbursed by the District of Columbia.

(1) Peak period fares are in effect for persons entering the system between 6:00 and 9:30 a.m. and 3:00 and 6:30 p.m., Monday through Friday except national holidays.

(2) Off-peak period fares are in effect for persons entering the rail system between 9:30 a.m. to 3:00 p.m. and 6:30 p.m. to 6:00 a.m., Monday through Friday and all day on Saturdays and Sundays and national holidays during rail operating hours.

(3) Elderly and handicapped reduced fares will be in effect at all times.

(4) A composite mile is the average of the straight-line (AIRLINE) distance between stations and the actual over-the-rail distance between stations.

(5) Flat fare of 60 cents for any trip during off-peak periods.

(6) Rounded down to the nearest 5 cents. Maximum fare for any Metrorail trip established at 60 cents.

NOTE: Only Metrorail Farecard, valid Flash Pass or emergency trip ticket will be accepted as payment of a rail fare.

Vehicle Parking at Metrorail Station Lots

A. Vehicle parking rates at all Metrorail parking lots are as follows:

1. Daily flat rate of $1.25 at all unmetered lots located within the Beltway and $1.00 at all lots located outside the Beltway with the exception that the New Carrollton lot will be considered as outside the Beltway.

2. The same rates as stated above will apply for the midday parking in the Kiss and Ride areas.

3. The rates stated will be in effect during all days of the week except Sundays and National Holidays when parking is free.

Vehicle parking rates at all Metrorail Parking Lots through Phase IVA are as follows:

Rhode Island Avenue	$1.25
Fort Totten	1.25
Minnesota Avenue	1.25
Deanwood	1.25
Cheverly	1.25
Capitol Heights	1.25
Addison Road	1.25
Landover	1.25
New Carrollton	1.00

B. Monthly permit parking rate at the New Carrollton Parking Lot, and others where a permit parking system may be implemented will be $30.00.

C. Metered Parking Rates

1. Kiss & Ride (where metered) - A rate of 25 cents for one hour (minimum) up to a maximum of $1.25 for 5 hours.

2. All Day Parking (where metered) - A rate of 10 cents for one hour (minimum) up to a maximum of $1.80 for 18 hours.

D. Violation of any WMATA parking sign, traffic sign, and/or regulations shall be subject to ticketing, prosecution and/or towed in accordance with the laws and/or ordinances of the jurisdiction within which the violation occurred.

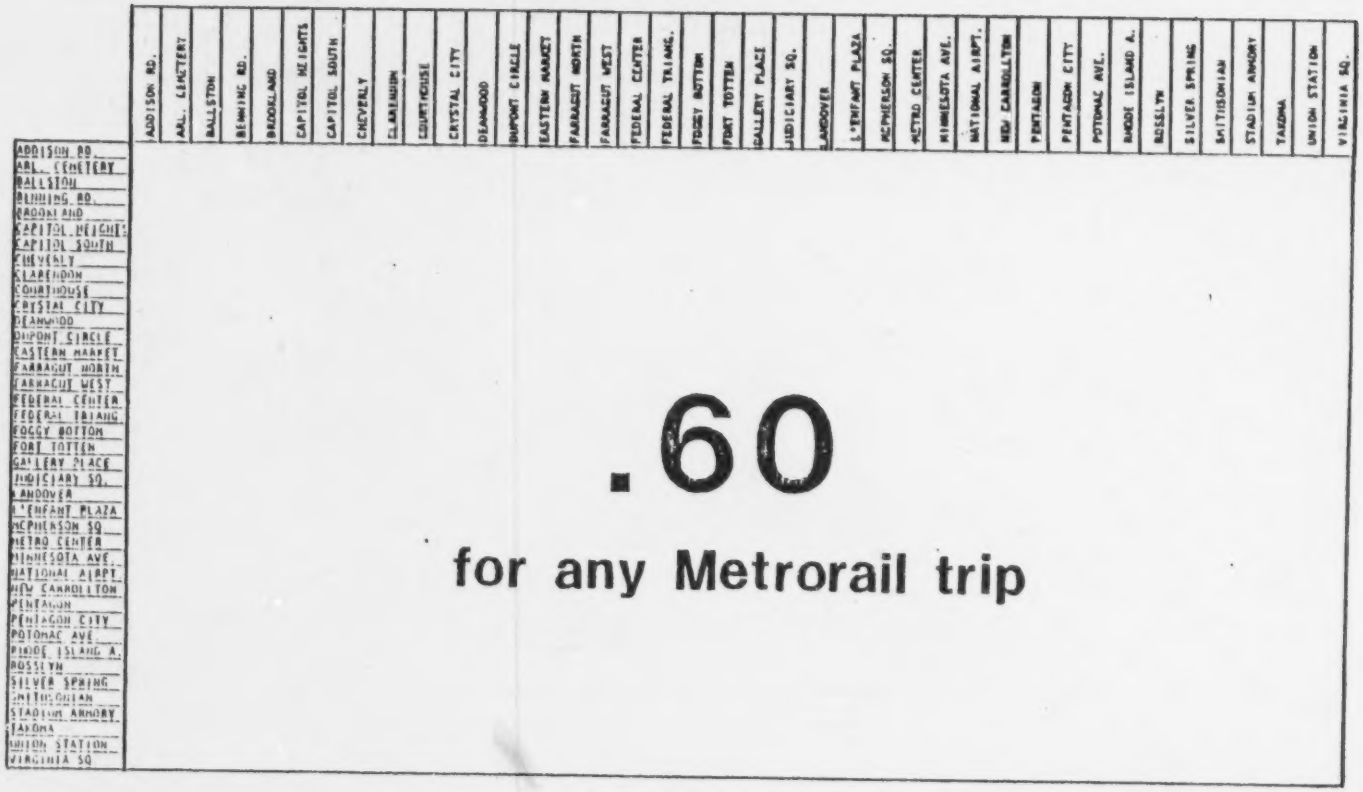
ATTACHMENT A

STATION-TO-STATION PEAK PERIOD FARES

	Addison Rd.	Arl. Cemetery	Balliston	Benning Rd.	Brookland	Capitol Heights	Capitol South	Cheverly	Clarendon	Courthouse	Crystal City	Deanwood	Dupont Circle	Eastern Market	Farragut North	Farragut West	Federal Center	Federal Triang.	Foggy Bottom	Fort Totten	Gallery Place	Judiciary Sq.	Landover	L'Enfant Plaza	McPherson Sq.	Metro Center	Minnesota Ave.	National Airpt.	New Carrollton	Pentagon	Pentagon City	Potomac Ave.	Rhode Island Av.	Rosslyn	Silver Spring	Smithsonian	Stadium Armory	Takoma	Union Station	Virginia Sq.
Addison Road	60	150	170	50	140	60	105	95	160	155	150	80	140	95	135	110	125	140	155	135	135	110	120	130	125	135	150	180	160	145	90	135	125	200	120	90	100	125	145
Arl. Cemetery	150	60	120	120	100	140	90	140	60	60	125	60	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Ballston	170	60	60	110	125	160	140	125	60	60	85	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Benning Road	50	120	130	50	105	50	90	65	120	115	110	55	95	65	95	75	85	95	95	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
Brookland	140	100	130	105	60	130	80	125	115	110	105	75	125	85	125	120	115	125	125	125	125	120	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
Capitol Heights	60	140	160	50	130	60	90	85	150	135	135	65	125	95	120	95	110	120	120	120	120	95	110	115	110	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Capitol South	105	70	105	65	80	60	95	90	85	90	85	75	75	60	75	60	60	60	75	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Cheverly	95	140	125	85	125	85	95	60	160	155	140	75	125	85	120	120	110	110	125	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110	110
Clarendon	160	60	60	120	115	150	90	160	60	60	60	60	60	90	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Courthouse	155	60	60	115	105	135	85	155	60	60	60	60	60	75	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Crystal City	150	60	60	110	105	135	85	155	60	60	60	60	60	80	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Deanwood	80	125	150	55	105	65	75	125	75	70	65	60	60	75	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Dupont Circle	140	60	60	95	60	100	60	100	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Eastern Market	95	110	135	85	110	85	85	85	125	120	120	60	95	60	95	85	85	95	95	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85	85
Farragut North	115	60	95	90	70	120	60	120	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Farragut West	110	60	95	75	95	75	60	120	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Federal Center	125	60	85	80	80	110	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Federal Triangle	140	60	85	70	80	110	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Foggy Bottom	155	115	135	120	60	140	95	140	60	60	60	60	60	85	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Fort Totten	135	65	90	85	60	115	75	115	60	60	60	60	60	75	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Gallery Place	125	65	90	85	60	110	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Judiciary Square	110	165	195	90	105	145	105	115	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Lansdowner	120	60	95	75	100	60	75	105	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
L'Enfant Plaza	130	60	80	90	70	115	60	115	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
McPherson Sq.	125	60	85	85	65	110	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Metro Center	135	60	85	85	65	110	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Minnesota Ave.	155	60	60	95	60	105	60	105	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
National Airport	130	180	210	110	160	125	135	200	195	185	180	130	165	160	160	140	150	165	165	150	150	140	145	155	150	155	155	155	155	155	155	155	155	155	155	155	155	155	155	155
New Carrollton	160	60	75	100	100	125	65	130	60	60	60	60	60	70	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Pentagon	145	60	75	105	110	135	70	140	65	60	60	60	60	70	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Pentagon City	90	85	120	50	90	75	60	120	105	100	95	60	80	60	80	75	75	80	80	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
Potomac Ave.	135	95	115	95	60	120	70	120	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Rhode Island Ave.	155	60	60	115	95	145	60	145	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Rosslyn	200	150	165	165	80	190	100	180	150	150	145	120	140	120	140	120	140	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Silver Spring	120	60	90	80	75	105	60	110	75	70	65	60	60	75	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Smithsonian	90	60	75	75	60	90	60	90	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Stadium Armory	90	60	75	75	60	90	60	90	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Takoma	135	90	125	105	90	140	75	140	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75	75
Union Station	100	75	105	75	60	105	60	105	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Virginia Sq.	125	60	95	80	60	110	60	110	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

ATTACHMENT B

STATION-TO-STATION OFF-PEAK FARES



ATTACHMENT C
ELDERLY & HANDICAPPED FARES

Addison Road	Arlington Cemetery	Ballston	Benning Road	Brookland	Capitol Heights	Capitol South	Cheverly	Clarendon	Courthouse	Crystal City	Deanwood	Dupont Circle	Eastern Market	Farragut North	Farragut West	Federal Center	Federal Triangle	Foggy Bottom	Fort Totten	Gallery Place	Judiciary Square	Landover	L'Enfant Plaza	McPherson Square	Metro Center	Minnesota Avenue	National Airport	New Carrollton	Pentagon	Pentagon City	Potomac Avenue	Rhode Island Ave.	Rosslyn	Silver Spring	Smithsonian	Stadium-Armory	Takoma	Union Station	Virginia Square
Addison Road	30	60	25	60	30	50	45	60	60	60	40	60	45	60	55	55	60	60	60	60	55	60	60	60	35	60	60	60	60	45	60	60	60	60	60	60	60	60
Arlington Cemetery	60	30	50	60	60	35	60	30	30	30	60	30	40	30	30	30	30	30	55	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Ballston	60	30	60	60	60	60	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Benning Road	25	60	30	60	25	50	45	60	60	60	40	60	45	60	55	55	60	60	60	60	55	60	60	60	35	60	60	60	60	45	60	60	60	60	60	60	60	60
Brookland	60	30	60	25	60	60	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Capitol Heights	50	60	50	60	60	30	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Capitol South	30	30	25	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Cheverly	45	60	40	60	45	30	45	60	60	60	40	60	45	60	55	55	60	60	60	60	55	60	60	60	35	60	60	60	60	45	60	60	60	60	60	60	60	60
Clarendon	60	30	60	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Courthouse	60	30	60	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Crystal City	60	30	60	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Deanwood	40	60	25	60	40	50	40	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Dupont Circle	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Eastern Market	45	60	35	60	45	30	45	60	60	60	40	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Farragut North	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Farragut West	55	60	45	60	45	30	45	60	60	60	40	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Federal Center	55	60	45	60	45	30	45	60	60	60	40	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Federal Triangle	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Foggy Bottom	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Fort Totten	55	60	40	60	40	50	40	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
Gallery Place	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Judiciary Square	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Landover	55	60	60	60	55	50	55	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60
L'Enfant Plaza	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
McPherson Square	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Metro Center	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Minnesota Avenue	35	60	25	60	35	50	35	60	60	60	40	60	45	60	55	55	60	60	60	60	55	60	60	60	30	60	60	60	60	45	60	60	60	60	60	60	60	60
National Airport	60	30	50	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
New Carrollton	60	30	55	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Pentagon	60	30	50	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Pentagon City	45	60	25	60	45	30	45	60	60	60	40	60	45	60	55	55	60	60	60	60	55	60	60	60	35	60	60	60	60	45	60	60	60	60	60	60	60	60
Potomac Avenue	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Rhode Island Ave.	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Rosslyn	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Silver Spring	60	30	60	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Smithsonian	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Stadium-Armory	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Takoma	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Union Station	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Virginia Square	60	30	45	30	60	30	60	30	30	30	60	30	60	30	30	30	30	30	60	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY METROBUS FARES

CASH PAYMENT REQUIRED BASED ON FULL FARE IN CASH,
USING ONE OF THE FLASH PASSES OR RAIL TRANSFER

DURING PEAK PERIODS

Peak Hours: 6:00 A.M. - 9:30 A.M. and 3:00 P.M. -
6:30 P.M., weekdays only

	Cash	FLASH PASSES						
		DC	MD		VA	VA 2	VA 3	Rail
	Fare	Base	Base	MD/DC	Base	Zone	Zone	Transfer
Within D.C.	.60	-0-	N/A	-0-	N/A	-0-	-0-	-0-
Within Md.	.60	N/A	-0-	-0-	N/A	-0-	-0-	.25
Within Va.								
Any one zone	.60	N/A	N/A	-0-	-0-	-0-	-0-	.35
Any two zones	.85	N/A	N/A	.25	.25	-0-	-0-	.60
Any three zones	1.10	N/A	N/A	.50	.50	.25	-0-	.85
Any four zones	1.35	N/A	N/A	.75	.75	.50	.25	1.10
Interstate								
From DC to Md. zone 1	1.10	N/A	N/A	-0-	N/A	.50	.50	.50
From DC to Md. zone 2	1.40	N/A	N/A	-0-	N/A	.80	.80	.80
From Md. zone 1 to DC	1.10	N/A	N/A	-0-	N/A	.50	.50	.75
From Md. zone 2 to DC	1.40	N/A	N/A	-0-	N/A	.80	.80	1.05
From DC to Va. zone G	1.20	N/A	N/A	.60	N/A	.60	.60	.60
From DC to Va. zone 1	1.45	N/A	N/A	.85	N/A	.60	.60	.85
From DC to Va. zone 2	1.70	N/A	N/A	1.10	N/A	.85	.60	1.10
From DC to Va. zone 3	1.95	N/A	N/A	1.35	N/A	1.10	.85	1.35
From Va. zone G to DC	1.20	N/A	N/A	.60	N/A	.60	.60	.95
From Va. zone 1 to DC	1.45	N/A	N/A	.85	N/A	.60	.60	1.20
From Va. zone 2 to DC	1.70	N/A	N/A	1.10	N/A	.85	.60	N/A
From Va. zone 3 to DC	1.95	N/A	N/A	1.35	N/A	1.10	.85	N/A
(1) From Md. zone 1 to Va. Zone 1	1.10	N/A	N/A	-0-	N/A	.50	.50	.75
(1) From Md. zone 1 to Va. zone G	1.35	N/A	N/A	-0-	N/A	.50	.50	1.00
(1) From Va. zone 1 to Md. zone 1	1.10	N/A	N/A	-0-	N/A	.50	.50	.85
(1) From Va. zone G to Md. zone 1	1.35	N/A	N/A	-0-	N/A	.50	.50	1.10
Special Fares								
Routes L-1 and P-9	1.00	.40	N/A	.40	N/A	.40	.40	.40
D.C. School Fares	School Token or 60¢							

(1) Fare via Woodrow Wilson Bridge. P-13 Eastover - Pentagon.
(2) Premium fares on Routes L-1 and P-9 in effect during peak and off-peak periods.
NOTE: A surcharge of 25¢ is applicable on Routes N-7 and N-9.
A surcharge of 20¢ is applicable on Reston Routes 5A-5H.

Effective 1-4-81

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY METROBUS FARES

CASH PAYMENT REQUIRED BASED ON FULL FARE IN CASH,
USING ONE OF THE FLASH PASSES OR RAIL TRANSFER

DURING OFF-PEAK PERIODS

Off-Peak Hours: 9:30 A.M. - 3:00 P.M., and 6:30 P.M. - 6:00 A.M. and all day on Saturdays, Sundays, and National Holidays

		FLASH PASSES						
	Cash Fare	DC Base	MD Base	MD/DC	VA Base	VA 2 Zone	VA 3 Zone	Rail Transfer
Within DC	.60	-0-	N/A	-0-	N/A	-0-	-0-	-0-
Within MD	.60	N/A	-0-	-0-	N/A	-0-	-0-	.25
Within VA	.60	N/A	N/A	-0-	-0-	-0-	-0-	.35
Interstate								
From DC to Md.	.85	N/A	N/A	-0-	N/A	-0-	-0-	.25
From DC to Va.	1.20	N/A	N/A	-0-	N/A	-0-	-0-	.60
From Md. to DC	.85	N/A	N/A	-0-	N/A	-0-	-0-	.50
From Va. to DC	1.20	N/A	N/A	-0-	N/A	-0-	-0-	.95
Special Fares								
Midibus	.25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D. C. School Fares	School Token or 60¢ Cash							

ELDERLY AND HANDICAPPED REDUCED FARES EFFECTIVE AT ALL TIMES
CASH PAYMENT REQUIRED BASED ON PAYING FULL FARE IN CASH, USING ONE OF THE FLASH PASSES OR RAIL TRANSFER

Within DC	.20	-0-	N/A	-0-	N/A	-0-	-0-	-0-
Within MD	.30	N/A	-0-	-0-	N/A	-0-	-0-	.10
Within VA	.30	N/A	N/A	-0-	N/A	-0-	-0-	.15
				-0-				
Interstate								
From DC to Md.	.50	N/A	N/A	-0-	N/A	-0-	-0-	.20
From DC to Va.	.50	N/A	N/A	-0-	N/A	-0-	-0-	.20
From Md. to DC	.50	N/A	N/A	-0-	N/A	-0-	-0-	.30
From Va. to DC	.50	N/A	N/A	-0-	N/A	-0-	-0-	.35
Special Fares								
Midbus	.10	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Effective 1-4-81

Cash Fare for All Bus Only Trips Between Maryland and Virginia via the District of Columbia

	Peak	Off-Peak
Between Md. Zone 1 and Va. Zone "G"	= 1.70	- 1.45
Between Md. Zone 1 and Va. Zone 1	= 1.95	- 1.45
Between Md. Zone 1 and Va. Zone 2	= 2.20	- 1.45
Between Md. Zone 1 and Va. Zone 3	= 2.45	- 1.45
Between Md. Zone 2 and Va. Zone "G"	= 2.00	- 1.45
Between Md. Zone 2 and Va. Zone 1	= 2.25	- 1.45
Between Md. Zone 2 and Va. Zone 2	= 2.50	- 1.45
Between Md. Zone 2 and Va. Zone 3	= 2.75	- 1.45

Virginia Bus Fares Requiring Bus-to-Bus Transfers

On Metrobus trips within Virginia requiring bus to bus transfers at the Pentagon or other locations, riders will be required to pay the fare to the furthest zone traveled. The rider, however, will not be required to pay to cross the same zone boundary twice. Shown below are fares for one-way intra Virginia trips assuming bus-to-bus transfer in Zone G.

	Peak	Off-Peak
Between Va. Zone 1 and Va. Zone 1 via transfer in Zone G	$ .85	.60
Between Va. Zone 1 and Va. Zone 2 via transfer in Zone G	1.10	.60
Between Va. Zone 1 and Va. Zone 3 via transfer in Zone G	1.35	.60
Between Va. Zone 2 and Va. Zone 2 via transfer in Zone G	1.10	.60
Between Va. Zone 2 and Va. Zone 3 via transfer in Zone G	1.35	.60
Between Va. Zone 3 and Va. Zone 3 via transfer in Zone G	1.35	.60

Premium Fares and Surcharges

Routes N-7 and N-9 - Metrobus fares on these routes will be the established fare plus a 25¢ surcharge. The surcharge of 25¢ must be paid by all riders paying fare in cash, using one of the Flash Passes or rail transfer. Note that the elderly and handicapped must also pay the full 25¢ surcharge amount.

Routes 5A through 5H - Metrobus fares on these routes will be the established fare plus a 20¢ surcharge. The surcharge of 20¢ must be paid by all riders paying fare in cash, using one of the Flash Passes or rail transfer. Note that the elderly and handicapped must also pay the full 20¢ surcharge amount.

Routes L-1, P-9 - Premium fares as shown will be charged on these routes:

L-1 Capitol Hill Express	$1.00
P-9 South Capitol Street Fringe Parking Lot	1.00

Note that for patrons boarding with a valid bus or rail transfer or Flash Pass, an additional fare of 40¢ is required on the L-1 and the P-9.

Peak Hours: 6:00 a.m. - 9:30 a.m. and 3:00 p.m. - 6:30 p.m., weekdays only.

Off-Peak Hours: All other hours and all day on Saturdays, Sundays, and National Holidays.

NOTE: Peak/Off-peak fares are based on the time patron boards the bus.

Silver Spring Station/Aspen Street Exception

In order to accommodate bus/rail, rail/bus riders in upper Northwest Washington, the fare structure on Routes 70, 71, 73, S-2, S-4, S-5 and S-3 is modified as follows:

a. The fare, on outbound trips, from points north of Aspen Street to the Silver Spring Metrorail Station shall be 60 cents at all times (intra D.C. fare). Note, during the peak periods, only the D.C. Base Pass and the MD/DC Pass are acceptable for full fare. During the off-peak periods, these passes plus the VA 2 Zone and VA 3 Zone passes are acceptable as full fare. If a patron requests a Maryland transfer in order to ride a second bus within Montgomery County, the full interstate fare shall be charged, irrespective of the area of boarding within the District of Columbia.

b. In the reverse direction, the above mentioned passes only, will be acceptable at the Silver Spring Station as full fare on Routes 70, 71, 73, S-2, S-3, S-4 and S-5 southbound to points in the District of Columbia north of Aspen Street, N.W. If a patron boards at the Silver Spring Station with a rail transfer, no transfer charge is required if the patron travels to Points north of Aspen Street, N.W. However, if a patron requests a Metrobus transfer and/or travels to points south of Aspen Street, the regular state line crossing charge (50 cents peak and 25 cents off-peak) and transfer charge (25 cents) will be required.

Regular Metrobus Tokens

Effective January 4, 1981 regular Metrobus tokens will be available for sale in multiples of 20 for $11.50. These tokens effective January 4, 1981 will be valued at 60 cents towards any Metrobus fare.

Downtowner - Fare is a flat 25 cents at all boarding locations.

Senior citizens/handicapped fare on Downtowner Route M-8 will be 10¢.
No Metrobus or Metrorail transfers will be accepted as payment of fare; no transfers will be issued.
No Flash Passes will be accepted as payment of fare.

Ride-On Tokens - Ride-On tokens will be accepted by Metrobus and valid for 45¢ towards the appropriate Metrobus fare.

RIBS Transfer - RIBS transfers will be accepted within Reston by Metrobus and valid for 25¢ towards the appropriate Metrobus fare.

Metrorail Transfers - Peak and Off-Peak Periods

- Within D.C. - For rail-to-bus transfers made within the District of Columbia (D.C. stations), the rail transfer is valid for the full base fare, plus applicable zone charges, if any. There is no rail-to-bus transfer charge.

- Within Md. - For rail-to-bus transfers made within Maryland (Md. stations), a 25¢ transfer charge must be paid, plus applicable zone charges, if any.

- Within Va. - For rail-to-bus transfers made within Virginia (Va. stations), a 35¢ transfer charge must be paid, plus applicable zone charges, if any.

WMATA REVENUE BONDS

Senator ANDREWS. Could you describe the financial arrangements governing revenue bonds for the Authority? Does retirement of the bonds and repayment of the advance by DOT appear to be reasonably within your financial means?

Mr. PAGE. We think it is, Mr. Chairman. I would like Mr. Boleyn to comment on that, if he will.

Senator ANDREWS. Fine.

Mr. BOLEYN. Mr. Chairman, we have a legal agreement between the Authority and the Department of Transportation representing the Federal Government that provides for a debt servicing of these bonds on a two-thirds/one-third basis, two-thirds Federal and one-third local, which is the same basis that was utilized in the first authorization for the system in the late 1960's.

That agreement, as Mr. Page pointed out earlier, was, in effect, ratified in the Stark-Harris bill which was passed last year. We believe that arrangement is absolutely sound. It has the support of the eight jurisdictions that comprise the Authority and the payout of those bonds, very long-term bonds, 40-year bonds, will be in the year 2013 to 2014.

Senator ANDREWS. You don't anticipate having to reschedule repayment?

Mr. BOLEYN. No, sir; we don't anticipate that, although it is possible within the authorizing legislation to do that, but we don't anticipate that will have to be done.

Senator ANDREWS. Why is the Federal Government's payment for fiscal 1982 greater than its specified two-thirds share?

Mr. BOLEYN. When we first began to discuss an arrangement for debt servicing these bonds some 3 years ago, the Federal Government offered to give the jurisdictions some up front help, so to speak, in order to let them work this obligation into their budgets. That up front help was to provide them literally at an 80 to 15 basis, or what is meant by that is that in the first 3 to 4 years of debt servicing of these bonds the Federal Government would, in effect, give the local jurisdictions an advance of moneys to be repaid within a 10-year period, with interest to the Federal Government.

Four of our jurisdictions are not utilizing that up front help, they are making the full payment themselves. The others have taken advantage of that.

IMPLEMENTATION OF SECTION 504 REGULATIONS

Senator ANDREWS. What has been your experience with the implementation of the section 504 requirement both in terms of UMTA regulations and any contact you have had with the Architectural and Transportation Barriers Compliance Board?

Mr. PAGE. To answer the latter part first, we have had a very good relationship to date with the Board, Mr. Chairman. We have committed $70 million of Federal and local funds for the installation of elevators in the rail system. That was a consequence of a suit brought by two organizations representing the handicapped in the early 1970's. Their suit argued that the Metrorail system then under construction should be made accessible.

We said we would do that. We said we would follow the court order, but we didn't have money to do it. So the Congress passed separate legislation to give us money to do that.

One of the complications was that we had to add elevators to stations which were already designed and under construction, so that in some of those stations the elevators are not in the best place.

Today, as we design and build other stations, each one will be accessible, with elevators as well as escalators.

On the bus side, our board of directors, about 2½ years ago committed WMATA to buying accessible buses, to comply with the 504 regulation. We have 150 buses today in the fleet, about 10 percent of our active fleet, with lifts. We have another 130 buses which could have lifts put in them. We have conducted workshops with citizens, handicapped organizations, and special training programs with our drivers and maintenance people. We run those lift-equipped buses on regular routes. The schedule identifies when and where the lift-equipped bus will run on that schedule.

Senator ANDREWS. So, the handicapped do know when that lift-equipped bus will come?

Mr. PAGE. Yes; they do. We have done one other thing in cooperation with the Council of Governments: As of January, we have reached agreement on a transition plan which says that beginning in 1982 we will guarantee a lift-equipped bus on any route at anytime with 24-hour notice, and we will provide a dispatching unit, a place where you can call in and request such service, plus two small vans as backup service to the lift-equipped buses. That is what we are doing.

Senator ANDREWS. What type of ridership are you getting with this implementation into your fleet of lift-equipped buses by the handicapped?

Mr. PAGE. The ridership is not high, Mr. Chairman. We think that the rail trips are probably 130 to 140 users per day. On the bus side, there may be 10 users per day on a regular weekday. Some of these are the same people, so those numbers count trips, not people. There are other people with groceries or newspapers or who for whatever reason choose to use the elevators in the rail system, so the number I gave you does not count able-bodied people who just use the elevator because they happen to be near it. Those numbers are based on surveys that our staff has taken and we do that from time to time.

Frankly, I have been somewhat disappointed in the level of usage, given the effort that we made to publicize and promote the service that we provide with these lift-equipped buses.

Senator ANDREWS. After you initiated this kind of service and the availability and notification of these schedules, the call-in service, what comments did you get from the handicapped groups who had asked in the first place to make the system accessible? Are they satisfied with what you have been doing?

Mr. PAGE. Let me emphasize we have not started the call-in service; that is a new decision that was made in January and will go into effect next year.

Senator ANDREWS. Let us say the publication of the schedules.

Mr. PAGE. I think there has been some praise and some criticism. When we say that a lift-equipped bus will be at that intersection at 8:14

in the morning, we don't always make it. Sometimes the lift doesn't work because we have maintenance problems. Sometimes the operator has a full bus or doesn't feel like using that lift even though he has gone through a training program. So, we have made some mistakes and we do not always provide the service that is advertised.

Senator ANDREWS. Wouldn't you make it a point to see that the operator on the lift-equipped bus would be an operator who was inclined to use the lift?

Mr. PAGE. That is our effort, Mr. Chairman. We employ 2,700 full-time operators and 250 part-time and we don't always have the right operator in the right place. Even if we do, we can't guarantee his behavior at 8:14 in the morning.

Senator ANDREWS. But his behavior probably is no more erratic than if you had every bus equipped with a lift?

Mr. PAGE. He is a normal human being, Mr. Chairman, but it has caused problems. I want to be candid about it, because we had some very angry citizens and some who have met with me personally who have said, "Your operator did not do it," or "The lift didn't work."

I emphasize also in addition to the capital cost of the rail and bus—and each new lift costs about $15,000 or 10 percent of the price of a new bus—we have a maintenance cost. We have some 10 or 12 mechanics now who are assigned to do only lift-bus maintenance. We will have to add to our maintenance work force if we expand the number of lift-equipped buses, sir. That is about $2.5 million a year today in our operating and maintenance expenses.

Senator ANDREWS. You feel that the system that you have put in, of scheduling the buses when you give the notice and backup with your smaller vans, perhaps is adequate, that is, a reasonable figure, so that the cost to the average rider would not be excessive?

Mr. PAGE. What we have developed is a transition plan to comply with the law and the regulations which are being enforced by UMTA and by the Architectural and Transportation Compliance Board. I personally wish that there were more use of the service than is there. I am somewhat surprised that we don't get more requests for accessible transit service. It does concern me that what we are spending is a great deal of money in capital and operating expenditures for a very small number of people who might have alternatives in other forms of transportation.

Senator ANDREWS. Have you done a cost breakout, given your experience so far, as to whether or not implementing a van system for those people in wheelchairs could be more cost effective and could provide better service than equipping with lifts a major share of your overall fleet?

Mr. PAGE. We did do that with the Council of Governments as part of the transition planning. I think a dedicated fleet of small vans is probably more expensive than the plan that I described, which is to continue to use standard-sized buses with lifts, schedule them on certain routes, publicize when they will run, and provide that 24-hour guarantee for someone who needs a bus when we don't have a lift-equipped bus on that particular route.

Senator ANDREWS. But less expensive than fitting all the buses with this lift equipment?

Mr. PAGE. Yes, sir; but the DOT regulation as it now stands and as it is now being enforced says that over the next several years during this so-called transition from limited accessibility to what is called full accessibility we must have all of our base-day fleet of buses accessible. So that, for us, means going from 150 buses today to approximately 800 buses with lifts as we acquire new buses over the next several years.

Senator ANDREWS. And going to 800 buses with lifts would cost considerably more than running the van system?

Mr. PAGE. We think so, but the regulations do not allow that alternative.

Senator ANDREWS. I am trying to find out what is best. You know, you have expertise in running the transportation system. Other people have expertise in certain climatic and personal factors in other parts of this country. We just developed with the witnesses preceding you the fact that a wheelchair lift in a climate where I come from is ridiculous. You just don't wait at the side of the road for a bus if you are in a wheelchair. You can't get there when you have a wind/chill factor of 70 degrees below zero.

Mr. PAGE. I heard your comment.

Senator ANDREWS. They are trying to adapt and you are trying to adapt. I think what we are trying to do is provide the access, but there has to be a way of doing it tailored to the individual community, so that it will be effective and it will have a satisfactory cost/benefit ratio.

Mr. PAGE. I think that is essential. It worries me that some 200 communities have submitted requests for waivers or exemptions to the prior and the new Secretary of Transportation and only two have been granted, with very limited scope.

To summarize, we believe our transition plan is cheaper than a dedicated fleet of vans, but 10 years from now a dedicated fleet of vans might be somewhat cheaper than putting lifts in 800 standard-size buses.

Senator ANDREWS. Might or would be? Do you want to expand on that for the record? Really, you are in a sticky situation because you don't have enough experience to tell?

Mr. PAGE. That is correct. Not only do we not have much experience, but we also don't know what the ridership will be.

Senator ANDREWS. Why don't you see what you can put together for the record?

Mr. PAGE. We will do that. We will maybe give you a couple of different levels, depending on the different assumptions of ridership.

Senator ANDREWS. This is an issue that is not going to be resolved easily, but let us hope that we can have it resolved equitably within a reasonable period of time.

[The information follows:]

Question. Compare the costs of meeting the accessibility requirements under section 504 with a van program. Which is cheaper—one-half of the fleet equipped with lifts or a van program? To what extent should environmental factors be considered? What effect does the level of ridership of handicapped have on the requirement?

Answer. The critical question on the operating side is the ratio of lift mechanics to lifts; most industry sources talk about 1 mechanic for every 20 lifts. The operating costs will also be swayed by where the lifts are put on the buses. Locating the lift in a less vulnerable position should presumably favorably alter future costs of maintenance.

On the other hand, it is likely that a 50-percent accessible fleet will include a mix of bus lift combinations: rear, front-end, and mid-bus locations; perhaps more than one lift design on a single type bus; perhaps a mix of hydraulic and mechanical lift types. Major costs will therefore be generated by the necessity to keep separate parts inventories, to train and retrain mechanics, etc.

However, except for lift maintenance costs—and the cost of the lift itself—other costs for fixed-route lift service are essentially marginal costs. On the other hand, demand-response systems conforming to service standards comparable to the line-haul system, i.e.: Same area; same hours; no restriction on trip purposes; same fare; and real time response.

And requiring purchase and maintenance of limited-life small vehicles, use of union labor, and operations and planning staff, etc., would cost infinitely more than equipping buses with lifts. No such system exists to provide data on probable costs. Demand-response cost estimates currently available on the basis of existing demand-response operations are depressed by very significant constraints on the service and operating characteristics of the systems. In addition, can anyone doubt the vast difference in potential demand between a lift bus and a demand-response operation?

In brief, there is a great difficulty in estimating costs of a 50-percent accessible fleet. To try to estimate costs of a demand-response service without knowing any of the assumptions is an impossible and probably empty exercise. The tendency to overstate the costs of lift buses because they are a known problem, and the danger of seriously understating demand-response costs should be avoided if at all possible whenever this sort of comparison is requested.

In assessing the lift program an important factor to consider is the number of people who are using the lifts on the service currently being provided—95 buses scheduled per day which comprise over 3,000 bus trips per week.

Bus ridership data for the severly disabled is available for the period May to December 1980 for only those persons with disabilities which require use of either the wheelchair lift or the kneel function for access. Surveys were carried out by operators for 1 week in each month. An average of 50 boardings per week by wheelchair users are reported. In addition, the lift was used by about five persons per week who were ambulatory but required a level change device for access. On the average, another five disabled persons requested the lift but were denied service because either a nonlift bus was serving a lift trip or there were technical problems in deploying the lift. Use of the kneel function seems to be negligible and when reported has averaged fewer than 3 requests per week.

WMATA's ridership data indicates that, for the most part, use of the lift is accounted for by a small number of individuals who are frequent passengers—10 to 15 persons. Approximately 50 wheelchair users have been identified as having tried the service at one time or another.

The profile of WMATA lift users is remarkably consistent and the ridership is dominated by disabled university students, frequently in a vocational rehabilitation program, and by disabled Government employees. Since the user group is small and represented at WMATA by an active handicapped advisory committee as a forum, each of the lift users are known to us individually.

The wheelchair group is split between the manual and electric wheelchair users. On the whole, the manual wheelchair users usually have alternate means of transportation available to them—personal lift vans or automobiles. The truly transit dependent in the WMATA lift user group are the small subgroup of wheelchair users whose disability rules out, or make exceedingly costly, the operation of a personal vehicle.

For both subgroups of wheelchair users, their status as daily transit passengers seems to be very unstable. Weather conditions—the major controlling factor—aside, the single determining factor most frequently identified to WMATA by wheelchair users is the necessity to reliably move around to varied destinations in the course of the work day. On the one hand, the quadriplegics, who are the more transit dependent of the wheelchair user population, often have less reason to travel on a regular basis, because their employment opportunities are more limited and physical problems often limit their daily activity. In short, the group who needs lift services the most, travels the least.

SECTION 13(c) PROVISIONS

Senator ANDREWS. Will you outline what is included in the 13(c) provisions with respect to operation planning cost, and what recommendation you might have regarding possible alterations of 13(c)?

Mr. PAGE. I will make some comments now, Mr. Chairman, and I would like to give you something in writing on that. That is another matter that will not be resolved very quickly or easily.

The intent of the law—and I emphasize it is the law in 1964—is to assure that no employees of private or public transit authorities would be adversely affected by Federal grants, a well-meaning objective which we all support. That objective has its own baggage of regulations and bureaucratic interpretations. Today it constitutes a veto over almost anything a transit authority wants to do because it is construed to apply to every application for Federal aid, to designing a bus garage or buying a new bus or even operating subsidies.

So if we submit one or two or three applications for operating subsidies each year—and we must do that to get the money that we are entitled to under the apportionment program—it is subject to a 13(c) review; it goes to the Department of Labor. The Department of Labor calls up the international union office and says, "Is it OK with you?"

If they have something that they or the local union are unhappy about or disagree with us about, they say "No." But if we talk to them and if we solve that particular problem, which may or may not be relevant to the project, then it goes through.

I want to emphasize that I am not antiunion. Most of our work force is union. I respect that. We work with them. We negotiate in good faith. But I don't think the administration of 13(c) is what was intended by the Congress. I do think that delays and costs have been built into the normal operation of public transit authorities which were never intended by the Congress and which are, in fact, adverse to our work force and to the taxpayers who fund us.

This is a strong statement, but I will give you some more in writing.

Senator ANDREWS. Very well, and that is what we are looking for. I recognize that we would rather have the detail you can give by responding for the record.

[The information follows:]

Question. Put into the record the effect of 13(c) on delays and costs. Discuss the effect of 13(c) in terms of intent of law, possible veto of an application, whether the present administrative approach was the intent of the law, and other significant aspects relative to 13(c).

Answer. Section 13(c) requires the Secretary of Labor to determine fair and equitable arrangements to protect the existing employees of federally assisted transit systems against a worsening of their condition as a result of a Federal transit project. Before any Federal project can be approved, the Labor Secretary must certify to the Secretary of Transportation that the requirements of section 13(c) have been met, and the grant agreement between the Federal Government and the recipient must contain the terms of the protective arrangements.

In the early days of the transit program, 13(c) was not an impediment to the receipt of Federal assistance from the Urban Mass Transportation Administration. Until the early 1970's, only one Department of Labor professional employee was assigned to handle 13(c) matters. Initially, all that was required of recipients was a one paragraph warranty which basically provided that no employee would be harmed as a result of the Federal project but if harmed, the employee would be made whole.

The unions felt this warranty procedure was inadequate and demanded that DOL refuse 13(c) certifications, holding up grant funds, until the recipients and unions arrived at a negotiated 13(c) agreement. The DOL acquiesced despite the fact that the unions had all the leverage because funds could not flow until the union signed off on the 13(c) agreement.

As the 13(c) agreements have grown more and more complex, the adverse impact of the agreements on transit operators and the public have become evident. A few examples of the adverse impact of section 13(c) are as follows:

The superseding of State labor law—despite very clear legislative intent to the contrary.

Arbitration: Section 13(c) has successfully been used to force transit agencies to arbitrate the terms of new collective bargaining agreements including provisions on cost-of-living increases. This is extremely important. It means that localities had to give up control of 80 percent of their operating budgets to arbitrators. Thus, elected local officials gave up the power of the purse to nonelected arbitrators who were not responsible to and perhaps not even familiar with the local community.

Clauses which provide that all new work created as a result of the project must go to the union—an abuse because the existing work force is not harmed by new work.

Expensive delays in receipt of Federal funding because of protracted 13(c) negotiations—i.e., increase in costs or a need to borrow at prevailing interest rates.

Management inability to effect (1) cost saving programs or (2) experimental programs to increase productivity because of fear of 13(c) claims.

IMPACT OF QUARTERLY COST-OF-LIVING INCREASES

Senator ANDREWS. The reason I wanted to ask these questions orally—and I have some backup questions I will ask for the record—is that I wanted to get some oversight.

Mr. PAGE. Let me add to that, that I think there are some administrative steps that could be taken by the Secretaries of Transportation and Labor. I am not certain that reducing these costs and delays requires substantive legislation by the Congress, but I would not want to judge that.

Senator ANDREWS. One final oral question: What has been the impact of the quarterly cost-of-living increases and what attempts have you made to alter this agreement?

Mr. PAGE. The impacts have been quite severe on our operating costs. I will give you a simplistic statement, Mr. Chairman, and it applies to us as well as to other transit authorities.

Our problem is not a lack of revenue; our problem is the sharply rising costs. Diesel fuel costs have tripled in the last 4 years. It costs us $20 million a year instead of $7 million. We have compulsory arbitration by Federal law. We are negotiating new contracts every 2 years with our labor unions. Every 2 years we have failed to reach agreement through collective bargaining and we have gone to a neutral arbitrator.

For four consecutive settlements, 1974, 1976, 1978, and 1980, management has been a dissenting member of the three-man arbitration panel where the neutral arbitrator and the union representative have agreed on the arbitration settlement. We have objected every time, and particularly last fall, as vigorously as we knew how, to this four-times-a-year full-percentage cost of living.

There are other precedents around the country where they had full percentage clauses and changed them. Our arbitrator and our union representative in December voted against us and continued it, with one minor change. It pays full percentage four times a year up to 9 percent of an annual inflation rate. If the annual inflation rate for this metro-

politan area exceeds 9 percent, then we pay two-thirds of the difference above 9 percent. We think that this cost-of-living provision gives our employees unusual protection against inflation.

I don't know of another public sector group of employees in this area that has that kind of protection. Our salaried employees do not. The policemen, teachers, and garbagemen who work for local governments in this area do not have that kind of protection. A full-time bus-operator after 3 years of seniority now makes close to $25,000 in wages based on that provision, plus fringe benefits which are pretty good, plus any overtime. So, if I were in the union I would want it too, Mr. Chairman, but I don't think that we should single out and protect transit employees from the other problems of society.

These cost-of-living clauses, called COLA's, cover three-fourths, 75 to 80 percent, of transit employees throughout the country, but they cover only about 10 percent of American workers in all businesses, government, and private, so somebody had a good idea 10 years ago and that has been negotiated and arbitrated in a lot of transit contracts. Every transit authority I know of has been trying to modify or make changes to get off that escalator.

SUBMITTED QUESTIONS

Senator ANDREWS. I appreciate your candor.

I have a series of questions for the record. I also have some questions from Senator Chiles that I would like to have you answer for the record.

Mr. PAGE. Yes, sir.

Senator ANDREWS. You have been most helpful this morning and I appreciate your coming.

Mr. PAGE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

Q. Please provide a record of the costs incurred by Metro over the past 5 years, highlighting those costs related to fuel, labor, and administrative expenses.

A. The information follows:

Bus and Rail Operating Expenses
FY 1977 Thru 12-31-80

	FY 1977	FY 1978	FY 1979
Personnel Costs (Labor and Fringe)	$116,950,609	$139,786,034	$149,179,286
Fuel	7,155,396	10,347,873	13,654,921
All Other Administrative	20,071,831	20,902,392	28,548,359
Total	$144,177,836	$171,036,299	$191,382,566

	FY 1980	6 Months FY 1981 Thru 12-31-80
Personnel Costs (Labor and Fringe)	$175,045,776	$ 96,976,877
Fuel	21,733,568	12,880,967
All Other Administrative	39,331,984	18,301,894
Total	$236,111,328	$128,159,738

Q.

Plans for the Green Line have been delayed for several years. What has been the cause of this delay and what is its present status? If you were to finish only that track on which you have already begun work, what percentage of the Green Line would be completed? Will that cause any significant problem with the District Government?

A.

The entire Green Line has been under study for many years. Delays to the outer sections of this line have been due to the lack of local decisions on an alignment that could be adopted and advanced into final design. The UMTA initiated alternative analysis also caused delays by re-opening other possible alignments in the northern and southern Prince George's County corridors. Delays to the inner Green Line in the District of Columbia have also been due to the lack of a local commitment to a single alignment that could be advanced to final design.

To finish only the work that has been started on the Green Line would not lend itself to an operational segment of rail line. To date approximately $200 million has been committed to the Green Line. $175 million of this has been committed on the operational segment between Anacostia and U-Street. If this segment was made operable, nine of the 20 stations and 5.2 of the 19.6 revenue miles of the Green Line (E/F Route) would be operating.

The District of Columbia Government has reserved some of its' Interstate transfer funding to complete the inner Green Line. The District of Columbia Government has also agreed to the location of the Columbia Heights Station and an alignment between Anacostia and U-Street Stations.

Recent studies illustrate the impact of Metro on land values and employment.

The Federal City Council Report in July 1979 reported that $970 million worth of private development had been completed or placed under construction in the vicinity of Metro stations with only 30 percent of the rail system in operation at that time. It further documented that an additional $5 billion more was contemplated.

An earlier computation of local jurisdiction studies of their own individual Metro-related development potentials showed a cumulative projection of 141,000 new housing units, and new employment centers with 316,000 jobs, to be located near Metro stations.

In January 1981, the House Subcommittee on the City Report illustrated the impact on land values. More than $2 billion in increased land values was attributed directly to Metro. The report's findings confirmed projections that the Metro system would stimulate economic growth and revitalization, particularly in existing central business districts.

Q. HOW WOULD A CURTAILMENT OF CONSTRUCTION WORK AFFECT THE FINANCIAL AND WORKING RELATIONSHIP OF THE THREE SIGNATORIES?

A. In 1968, the WMATA Board of Directors, after exhaustive studies, public hearings and consultations with eight local jurisdictions, adopted a regional rail rapid transit plan and program for the Washington Metropolitan Area which became known as the "Adopted Regional System" (ARS). This ARS, as subsequently modified and amended over the years, with the consent of all parties, is essentially the existing 101 mile Metro system. The local jurisdictions agreed to, did, and continue to contribute their respective allocated shares of the "Local Share" of construction cost of the ARS. They each undertook and fulfilled this commitment without regard to where construction was ongoing at any given point in time. Thus,

there was and is a mutual good-faith commitment, one to the other, that the entire ARS would ultimately be constructed to the common benefit of all.

A cut-back or curtailment of the ARS at this point in time would have profound financial implications with respect to all jurisdictions. Those jurisdictions who would not receive the fruits of their long-standing bargain against which they have in good faith contributed substantial sums of money over the years, would undoubtedly demand a recomputation at least, or a total refund at worst, of the monies they have contributed to the system. Conversely, since the WMATA has no guaranteed source of revenue (i.e., taxing power), those jurisdictions which have all or some part of their respective portions of the ARS in place would be looked to for the total or partial refunds. One may easily foresee enormously complicated and protracted litigation among the parties to determine "who owes what to whom, and why?" Such a situation could not help but have an extremely deleterious effect upon the working relationships among the local jurisdicitons as well as the three signatories.

Q. What specific steps have you taken to reduce operating and capital costs? How does Metro compare with other authorities in this regard?

A. Comparisons between transit properties regarding operating and capital cost savings are difficult to gauge because of the disparate operating characteristics. However, there are a number of cost saving measures which we have initiated to help reduce our expenditure level. Among these are:

- Improved absenteeism control with monthly reports on absenteeism by work category and division. Our report on this issue is recognized industry-wide as a leader in the monitoring and reporting of absenteeism in transit.
- Switch from the use of No. 1 Diesel to No. 2 Diesel fuel with no adverse environmental effects and an estimated savings of $500,000 per year.
- A reduction of an estimated $600,000 as a result of the computerization of bus scheduling.
- Improved supply management and inventory control which will help reduce parts costs.
- New computer systems for claims, rail car maintenance, systems and general maintenance that will improve maintenance cost reductions and reduce workers' compensation expenses.
- Bus pay hour control system placed in operations which, due to better manpower control, will save an estimated $1 million per annum.

Also included for capital savings are approximately $168 million as a result of our SAVE program. The Authority is no longer able to update savings resulting from the SAVE recommendations approved by the Board of Directors beyond the $168 million reported through January 1979. These recommendations are now incorporated in the construction contract documents for all new Authority projects but can no longer be quantified because they are not readily identifiable as separate unit price bid items.

Recently the Department of Design and Construction initiated an audit of the list of SAVE recommendations to determine the level of implementation. All recommendations have been implemented or partially implemented except two. The suggestion to delete card readers on mezzanine to platform elevators was disallowed by court order requiring the readers for the handicapped. Operating experience has also indicated that there is a need for the loop track at the Greenbelt Yard.

The procedures for the System Control Board (SCB) formerly the Configuration Control Board (CCB) have been drafted and a meeting was held in early February to consider initiating conceptual studies for a Central Purchasing Facility. The purpose of the SCB is to control cost by controlling scope of the rapid rail system. The Authority continues to subject all proposed changes to the following criteria: system safety, operational necessity or reduction in cost.

Q. How can Fairfax County be considered a stable and reliable source of revenue when it has withheld bus subsidy payments for at least the last two quarters? Has the problem been resolved? Have their actions jeopardized the stability of other jurisdictions' payments?

A. Fairfax County's withholding of their first three quarter subsidy payments was a result of their dissatisfaction with the method used to allocate subsidy payments among the participating jurisdictions. Although the formula for allocating subsidies was agreed upon by all the jurisdictions, in practice, the application of that formula can frequently shift substantial operating costs from one jurisdiction to another depending on service adjustments, revenues recovered, etc.

The complex nature of the formula does not facilitate accurate subsidy forecasting at the jurisdiction level even though overall Metro subsidies may be on target. An unexpected increase in Fairfax County's subsidy requirement from original estimates triggered the County's response to the methods used to allocate subsidies and their potential attendant impact on local budgets.

In response to Fairfax County's concerns, chief financial and administrative representatives from the participating jurisdictions studied the allocation process and made specific recommendations to improve the system. Metro is currently in the process of implementing those recommendations and at the same time Fairfax County has paid up its subsidy allocation principle.

The ultimate payment of Fairfax County's subsidy requirements was never in question and at no time jeopardized the stability of other jurisdiction payments.

Q.

What would it cost to complete the original 101 miles according to your present schedule? What was the original estimate when the system was designed and when was it?

A.

The present schedule (Case B) is based on a level of funding which is anticipated to complete the Metrorail system in late 1989 at a total cost of $8.2 billion.

In 1969 the system was scheduled to be complete in late 1979 at a total cost of $2.5 billion.

The cost of the system is a function of the amount of annual funding that is made available. If only $275 million (federal) is available each year until completion, the estimated cost would exceed $11 billion with a completion date of approximately 2002.

Q. What impact has the construction of Metrorail had on the local economy especially noting employment and land value impacts?

A. The impact of the Metrorail construction program on the local economy has been immense in terms of employment and land values.

It has been estimated that employment tied to the Metrorail construction program is second only to employment in the Federal Government for the Washington metropolitan area. Exact numbers, of course, are difficult to measure in the private sector, but literally millions of Metro dollars are funneled daily through the local economy.

Land values have been significantly affected by Metrorail construction. Attached is an article recently published in the Washington Post which elaborates this issue.

...ve got a wound, why paint salt on ...

...In the beginning, the food the hos... ...es received "wasn't bad," since it ... prepared by the ambassador's ...k who made American meals. Ger... ...n said. But following the failed res... ...e attempt in April and the dispersal ... the hostages to far-flung locations ...mid Iran, German said he was ...ced to eat Iranian dishes consisting ...stly of rice, bread and goat cheese. ...While never tortured physically, ...rman recalled a night of terror ...en his captors were upset and ...imed the hostages had been passing ...es and communicating with each ...her.

See GERMAN, A10, Col. 1

...ceptions ... the decision ... made by the secretary of state."

Despite the planning, Army officials nervously demurred from confirming reports that the former hostages would land Sunday afternoon about 30 miles away at Stewart Air Base in Newburgh, N.Y., where they would be reunited with their families and then be driven to West Point.

At the State Department today, spokesman William Dyess refused to say when Secretary Alexander Haig would release information on the ex-hostages' reunion with their families.

When the group arrives in Wash-

See CELEBRATION, A10, Col. 1

...U.S. Embassy in Tehran in November 1979, Korcak said. But he added, "They're about what we expected, a range of mental states, some more seriously affected than others."

Hospital employes and visitors have told of an unidentified older former hostage who has seldom left his room and of a younger one who attends but does not participate in group activities and appears to be very depressed.

Some of the depressed returnees, Korcak said, "feel guilty about some of the state-

See WIESBADEN, A12, Col.1

Release Accord, Carter Ex-Official Says

...the hostage deal — its $91 million ... part of $130 million put in escrow ... London, pending the outcome of ...ther arbitration. For fear that this ...ht not provide enough security, ... bank also moved for attachment ...inst Iranian deposits it still holds ...en in its domestic branches.

The former Carter administration ...ial, who asked that he not be ...tified, said yesterday that "Bank ...America's action could throw into ...urdy" the $1.4 billion escrow ac... ...nt established in the Bank of Lon... ... to pay off additional loans by American banks to Iranian borrowers.

"The bank's legal move was inconsistent with the agreement and inconsistent with understandings on which the American banking deal was concluded," he said.

Bank of America's court action was the first of many major legal attacks expected to be launched against provisions of the agreement.

It comes as the Reagan administration is conducting an in-depth review of all the legal aspects. Spokemen for the new president have said they intend to honor the Carter-negotiated agreement "consistent with domestic and international law."

Yesterday, the Dallas-based computer software firm Electronic Data Systems Inc. asked a federal judge there for a preliminary injunction to prevent more than $20 million in Iranian assets against which it has a claim from being moved in accordance with the hostage-release agreement.

EDS, founded by Dallas millionaire H. Ross Perot, last year won a $23 million judgment for unpaid debts, relocation costs and lost profits resulting

See RESPONSE, A12, Col. 4

Price Increases Walloped Buyers

Washington area grocery prices rose by 14.4 percent last year, more than in any other metropolitan area. The year-to-year increase was nearly 50 percent greater than" New York City's.

Details on Page E10

Consumer prices rose 1.1 percent in December, pushing the 1980 increase to 12.4 percent. It was the biggest monthly increase since last March, and was attributed largely to food, housing and transportation prices. The statistics provide President Reagan with new ammunition for his anti-inflation campaign.

Details on Page E10

Value of Land Around Metro Leaps Dramatically in 5 Years

By Lewis M. Simons
Washington Post Staff Writer

The value of land around operating Metro stations throughout the Washington area has increased at least $2 billion since the first subway train slipped out of Farragut North five years ago, according to a new congressional staff survey.

Beyond this dramatic jump in land values, the cost of housing and office space near the stations is generally rising, but how much is attributable to Metro alone is conjectural at this stage.

The survey's findings seem to bear out the argument of many who had pressed for years to build Metro — that a subway system would stimulate economic growth and revitalization, particularly downtown. Similar arguments have been heard more recently from those favoring the convention center now under construction in Northwest Washington.

Spurred by its surge in sales after linking up with Metro Center at its downtown store, Woodward & Lothrop is planning a $150 million retail, office, and hotel complex for the entire square block just north of the store; Hecht's is planning to move into a similar massive complex across the street, and Bloomingdale's is talking to the mayor's office about locating a third metropolitan area store downtown near Metro.

James McCullagh, regional vice president of Bloomingdale's, said that so far they'd found that "real estate and location are very tough in terms of the size of store we want to build." But the company was continuing to "examine opportunities because down-

See HOUSING, A2, Col. 1

A2 ... Saturday, January 24, 1981 THE WASHINGTON POST

Land Around Metro Stations

HOUSING, From A1

town Washington is going to be an unbelievably exciting place in the next few years."

The congressional staff survey, which is confined to the areas immediately surrounding stations already opened, found that Metro has:

• Increased the value of downtown commercial land in the District of Columbia by at least $1.6 billion.

• Increased the value of residential land in Northern Virginia by at least $81 million.

• Increased commercial land values around the Silver Spring station by $31.2 million.

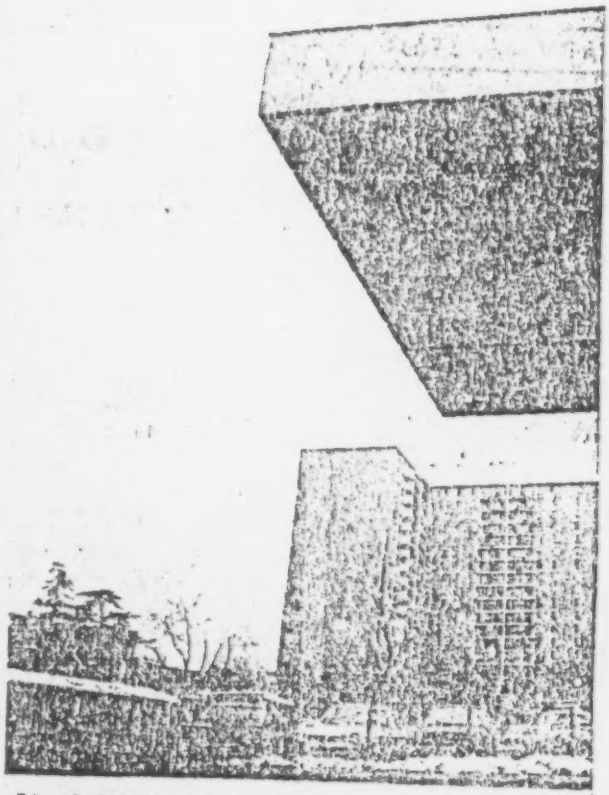
The one exception the study found to the pattern of significantly rising values was in Prince George's County, where "no noticeable Metro impact" was perceived in residential land values and only $5-to-$7 million was added to the light industrial and commercial land adjacent to the New Carrollton station.

The study, which took 2½ months to conduct, was carried out by the staff of the House subcommittee on the city at the request of Rep. Henry S. Reuss, (D-Wis.), chairman of the committee on housing, finance and urban affairs. The study has not yet been released.

Reuss' special assistant, Walter Rybeck, who directed the survey, said his three-member team found that Metro had varying effects on values. For example, he said, "In Arlington, people have paid a $10,000-$15,000 premium for housing near Metro, even if the neighborhood was inherently less attractive than another area."

In Prince George's County, however, "realtors said there was impact, but we couldn't find it." He added that although the team did not formally survey stations yet to be opened, "we found that Bethesda seems to be ahead of schedule with buyers paying a premium for the coming Metro station."

A clear illustration of what being near a Metro station can do for prices is a comparison between two condominium buildings in suburban Virginia which are of similar vintage, surroundings, construction quality and desirability, with the exception that one is up the street from a Metro station and one is nowhere near Metro.



Prices of units in Tower Villas (above), located next to a Virginia Metro stop, were

"I consider Metro a very determining factor [on prices], more so in the peripheral areas," said Giuseppe Cecchi, a major condominium developer who concentrates on Northern Virginia. "It affects commercial prices in the central city and residential prices in the outlying areas. There are also in-between areas, like Rosslyn, where it affects both."

Using the most conservative real estate formulas available, the congressional survey found that "a minimum of $2 billion in land values has already been added to the existing land value base." The computations in-

Addressing this question, the survey said that taxpayers "created" the $2 billion to $3.5 billion and that "taxpayers should be gaining tax relief from these riches." Instead, the survey said, "the biggest share of these new values is going . . . to the people who were lucky enough to own land within easy access of Metro stations."

The survey recommended that these circumstances be altered by having Metro and local jurisdictions extend the few joint development projects they've entered into; buy up land around new stations for resale or rental and charge property owners in

77-514 O - 82 - 35

The building near the Orange Line's Virginia Square station is Tower Villas. The other building is Skyline Towers, located on Route 7 at Bailey's Crossroads in Fairfax. Combined average prices of one-, two- and three-bedroom units in the two buildings showed that purchasers paid $107,450 at Tower Villas and $88,900 at Skyline Towers.

Another example concerns the Pentagon City station. Town house buyers last year paid a mean price of $106,500 for units in the South Hampton development, located 1,000 feet from the Metro exit, while buyers of virtually identical town houses in the Concord Mews development, two miles from the nearest station, paid a mean price of $94,200.

And at the Ballston station in Arlington, town houses a short walk from the station are selling for $150,000 while those a few miles away, in a somewhat more attractive neighborhood, are going for $110,000-$125,000. Appraisers, assessors and realtors say this is the difference — or "Metro premium" — area residents are willing to pay for convenience to the subway.

value base." The computations involved, for example, placing rental premiums of $2 a square foot for office space in buildings atop or immediately adjacent to Metro stops in downtown D. C. The $2 premium was applied for downtown blocks that contained a Metro exit or that were directly across the street from an exit; adjoining blocks were given $1 premiums.

Another calculation comprised placing a premium of $0.50 for each square foot of living space in the Tower Villas condominiums.

Rybeck said in an interview that a number of realtors and developers had told him that in some areas, particularly in downtown D. C., the determinations could be doubled. This led Rybeck to conclude that added values may be as high as $3.5 billion.

Reuss said in an interview that he ordered the survey because of his concern that $2.7 billion in federal funds had already been contributed to Metro. "I wondered if it is fair to charge the taxpayers when Metro appears to be doing little to recapture the enhanced values of properties it is affecting."

...ound new stations for resale or rental and charge property owners in the enhanced areas "for their new advantages."

Henry Cord, director of Metro's real estate office, said that he had not yet seen the congressional survey and that although it would be premature to comment on it, Metro considered recapture of income from rising land values "a regional matter."

"It's not locked in to any one jurisdictional method," Cord said. "Local jurisdictions control development — that's the key. We're looking down the road to encourage local jurisdictions to stimulate growth and quality development. Our role is basically to be a catalyst."

It's beyond doubt that money is being made by investors, developers, speculators, realtors, home owners and others around Metro stations. But the effects are uneven, according to dozens of interviews conducted by The Washington Post in the last two weeks.

Cecchi, the condominium developer, reported stunning success with the first part of a high-rise condominium complex, Montebello, that he is constructing adjacent to the Huntington Metro station in Alexandria: all 253 units, ranging in price from $59,000

Corrections

An article in yesterday's editions of The Washington Post incorrectly stated the number of reports on Iran by the three major television networks on their weekday nightly news programs in 1979. The correct figures, according to a George Washington University study, are: ABC, 261 stories; CBS, 252; NBC, 208.

An erroneous wire service report was incorporated into a Washington Post story yesterday, saying Sen. William Cohen (R-Maine) voted against confirmation of James Watt as interior secretary. He did not. That report also failed to include Sen. Alan Cranston (D-Calif.) among those who voted against Watt.

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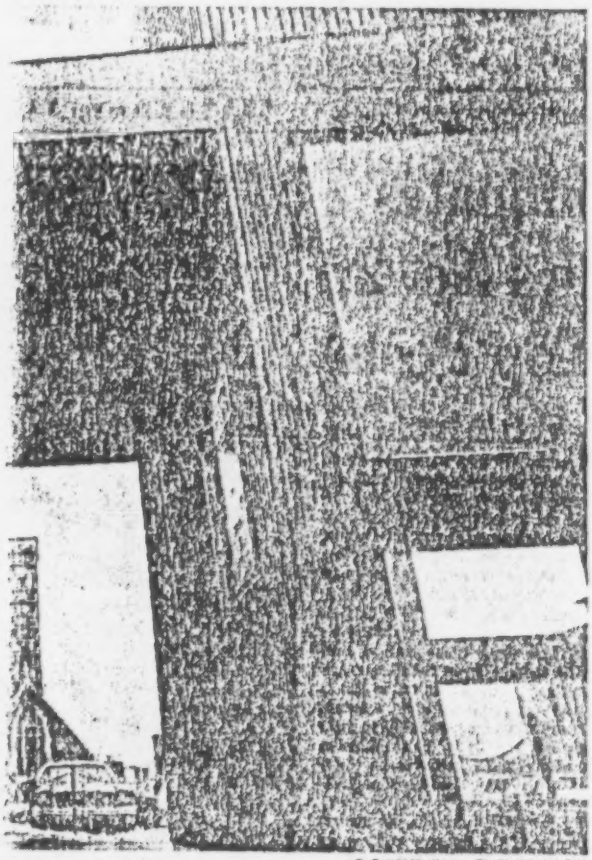

By Gerald Martineau—The Washington Post

...nsiderably higher than those of a similar condominium building nowhere near Metro.

to $131,000, were sold out from a waiting list of 1,600 without a single advertisement, "while the building was still in the ground."

Cecchi said he attributed this achievement to two factors — "its being located next to the Metro parking lot and atop a beautiful hill overlooking the entire area." Cecchi said he didn't know how much effect the easy access to the station had on prices, but "sales would have gone slower, I'm sure. I'd still be selling." The station is due to open late next year.

"The fact that it sold so fast shows me that people will pay a Metro premium," Frank said. "People feel they have an easy trip to the city along with a quality house. Two years ago you couldn't sell a $200,000 town house in Falls Church. Then, $80,000 to $90,000 was the outer limit." The Orange Line's extension through Falls Church and beyond to Vienna is officially scheduled to open late in 1985.

The picture in Montgomery County seems about as bright, but perhaps less widespread, with much of the optimism for future growth pegged to the extraordinary success of a single condominium complex, the Grosvenor, about 1,000 appraisals a year, mainly for banks considering granting loans. "The average condominium price is up," he said, "because condos are more affordable than private houses, rather than because of Metro. Nobody in Washington can tell for sure what Metro is doing."

Many realtors in suburban Maryland and Virginia said that potential buyers almost always asked about access to a Metro station, but that this wasn't necessarily reflected in the prices they were willing to pay.

In some in-town neighborhoods, Metro hasn't had much effect on prices. "People want to move to Cleveland Park because it's Cleveland Park," said Gary Czerner, manager of the Legum and Norman realty firm, which specializes in that costly Northwest neighborhood characterized by large, Victorian houses. "They don't ask about Metro, but it's an additional factor, like good schools, intellectual neighbors, good restaurants."

Konrad J. Perlman, acting deputy chief of the D.C. Department of Housing and Community Development's planning and research division, said he found that generally, "residential costs within a 15-minute walk of a station are high. Beyond that, not."

The important question to be asked in the District, Perlman said, was, "Will Metro affect prices in places where it hasn't already reached — for example, east of the [Anacostia] River?"

Prof. Dorn McGrath, chairman of the department of urban and regional planning at George Washington University, said the Fort Hunt area outside Alexandria had already become "a gold mine directly related to Metro" and that a similar evolution could be expected in the historic Anacostia-Uniontown area of the District.

As to Prince George's County, Earl Merkl of Long and Foster's area office said that he attributed a 10 percent increase factor to the opening of the New Carrollton station. "There'd been an 8-to-9 percent rise each year until last year, when it rose 19 percent," Merkl said.

He said this applied to houses within a five-mile radius of the station. "These houses were selling in the high $50,000s. Now they're going for $65,000-$75,000. They're frame, three-four bedrooms, 15-25 years old, in mixed-race neighborhoods, nice resi-

me that people will pay a Metro premium and I'll get that on the second building," he said. "Metro also helps me overcome a soft market: it's like having an office building at Connecticut Avenue and K Street — it's prime."

Cecchi said he has just filed a plan with Arlington County to build 500 deluxe condominiums in Rosslyn, "overlooking the river and the Lincoln Memorial . . and just three blocks from the Metro station."

Dave Spires, a realtor with Shannon and Luchs in its Alexandria office, said "we've already seen a rise in prices" around the Huntington station. "There's a lot of speculation. In '76, semidetached, smaller houses off Huntington Avenue were going for $32,000. Now, they're $65,000-$75,000 and selling much faster than they did in '76."

Other realtors observed a dramatic rise in prices and prestige in outer Arlington and Falls Church. "We're getting a tremendous number of relatively high-priced — $150,000-$200,000 — town houses under construction," said Dick Frank, president of the 96-member brokers council of the Century 21 realty chain.

"This is a big change to the area and Metro is a big part of the in-

the extraordinary success of [illegible] condominium complex, the Grosvenor Park, which is linked to the Grosvenor Metro station by a pedestrian tunnel beneath the Rockville Pike auto traffic.

With the station not scheduled to open until late 1983, the Grosvenor sold out four years ago in a three-month period. It has been logging a spectacular appreciation of more than 40 percent a year ever since, which several brokers attributed to original prices being at least $10,000 too low. "I guess the prices were right," said Nick Johns of Shannon and Luchs' Rockville office, "but the future Metro station is right across the street."

"Of course, convenience always adds value," said William Wise, a real estate appraiser who works out of his home in Rockville and who does

[illegible] home, three-four bedrooms, 15-25 years old, in mixed race neighborhoods, nice residential neighborhoods."

Merkl said the buyers of these houses tended to be young families from out of the Washington area whose top requirements, in order of importance were, "location, appreciation because they mostly plan to move away, Metro, schools, entertainment and shopping."

This upbeat assessment differed from the findings of the congressional survey. And Barry Hill, an appraiser with the firm of Thomas J. Owen, who lives in Cheverly, said his own findings were that values "appear to be rising, but sales velocity is dropping. I can't determine what's due to Metro, but certainly Metro isn't having an adverse effect."

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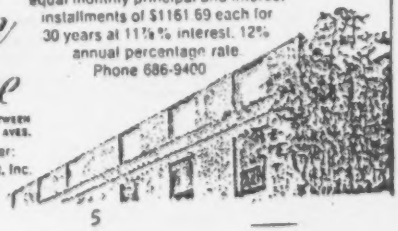

Q.

Please provide for the record the status of construction for Metrorail. Provide detail on the specific lines, the degree to which each is completed, the costs associated with each segment's completion and a time frame for completion. If completion is based on particular assumptions, please identify those assumptions.

A.

See Attachments.

I. Route A-6 Van Ness --- 2.1 Miles and 3 stations

II. Projected opening - spring 1982 (alternate late December 1981)

III. Major Activities
Dynamic Testing
Station Furniture, Graphics,etc.

IV. Segment is 94% complete by time.
Segment is 87% complete by money (as of December 1980)

V. The critical path to completion is the dynamic testing phase followed by the installation of station necessities such as furniture and graphics. This will allow an opening in late 1981 with a plan for testing the new rail cars that may slip the opening several months. This testing program is under review by management with a final decision to be forthcoming.

I. Route - L-Line Shuttle --- 3 miles and 3 stations

II. Projected Opening - Late 1982

III. Major Activities
Trackwork Installation
Stage contracts
ATC, Substation install
Finish work
Dynamic testing

IV. Completion
(a) Time - 81% complete
(b) Money- 87% complete

V. The L-Line Shuttle, from Pentagon to Gallery Place is now proceeding with the final major set of work activities underway- installation of the stage contracts. The trackwork has just begun with the critical path following into the Automatic Train Control wayside equipment installation.

We have scheduled these activities to follow in a very precise manner and base our late 1982 date of service with the expectation that no slip will occur.

I. Route - A Line to Shady Grove --- 13.7 miles and 9 stations

II. Projected Opening- late 1983

III. Major Activities
Completion of all structural work
Stage construction
Trackwork
Automatic Train Control
Finish Contracts
Dynamic Testing

IV. Completion
(a) Time - 68% complete
(b) Money- 65% complete (as of December 1980)

V. All major structural work is scheduled to be completed in 1981 with the trackwork contract the major activity now underway. The Authority is now actively reviewing all difficulties being encountered due to access problems by this contractor and we anticipate that no scheduling delays will occur.

The last of the finishing contracts are about to be awarded with a potential of scheduling interface problems yet to be faced with both the ongoing and soon to be awarded stage work activities.

The Authority anticipates that energization will occur in late 1982 with dynamic testing lasting through late 1983.

I. Route - C Line to Huntington --- 5 miles and 4 stations

II. Projected opeining - late 1982

III. Major Activities
Completion of stage contracts
(a) Automatic Train Control
(b) Substation Installation
(c) Dynamic Testing

IV. Completion
(a) Time - 72% complete
(b) Money- 79% complete

V. The C-Route completion is based upon the installation of automatic train control equipment. This activity has been separated into 2 parts due to modification work in the southern portion of the route. By this action the Authority will minimize the chances of having any major delays to the completion of one-half the route needed for rail car testing. In addition, we will be able to intensively manage the portion that is critical to the opening for revenue service.

It is assumed that the construction activities associated with the J-1 Test track will be completed on schedule so that rail access from the C-Route storage yard (Alexandria) to the main line will not be adversely affected.

I. Route - K-Line to Vienna --- 9 miles and 4 stations

II. Projected Opening - Late 85 to mid 86

III. Major Activities
Structural Work
Designs

IV. Completion (based upon current anticipated funding)
(a) 10% by time
(b) 6% by money (as of December 1980)

V. The K-Line is comprised of 5 major structural contracts. Two have been issued and are now under construction with the third contract ready to be started by April 1981.

The projected opening of the K-Line to Vienna is under review due to financial constraints that may have an adverse impact on the schedule of the timely awarding of the remaining contracts. The Authority will proceed to award as many contracts as possible and to rearrange the scheduling so as to mitigate any delays.

I. Route - B-Line to Glenmont --- 4.5 miles and 3 stations

II. Projected Opening - Under review

III. Major Activity
Structural contract - Forest Glen Station

IV. Completion (based upon 1980 projected schedule)
(a) 10% by time
(b) 3% by money (as of December 1980)

V. The structural work for Forest Glen is now underway with the award of the remaining section under review. This review is necessitated by the reconfiguration of the financial plan which is the determining factor in making the preliminary schedules.

Q. What is the estimated amount of Section 5 Federal operating assistance you are expecting?

A. We have assumed $26,000,000 in Section 5 funding for operating assistance in FY 1982 for the Washington, D. C. region. This assumes no change in the formula and is equal to our FY 1981 level. The Federal amounts required to support our assumption would be $850 million for Tier 1, $165 million for Tier II and $90 million for Tier III -- the same level as FY 1981 and the Reagan Administration proposed legislation.

Q.

What would be WMATA's share of the $250 million in Interstate Transfer Grants in the FY 81 Supplemental currently under consideration?

How would elimination of these funds affect your construction schedule?

A.

The presently approved Metro construction schedule assumes an FY 81 Supplemental of $203 Million (federal). If these funds were not made available, the revenue operational dates of all the lines that are scheduled to open beyond 1982 would be affected. It is difficult to quantify the impact until the annual level of funding for the out years has been established. If $275 million (federal) becomes the ceiling, the system will not be complete until approximately 2002.

Q. Is it your intention to use or defer use of the $340 million in Interstate Transfer Grants currently in the FY 82 UMTA Budget? What specific plans have been made to spend the funds if they were spent this year?

A. The Authority would prefer deferring use of the $350 million in Interstate transfer funds to accrue the benefit of escalation using Stark-Harris funding in its place.

The $350 million of Interstate funding in the UMTA program would be utilized to advance construction on the following routes: Orange Line to Vienna, Red Line to Glenmont, Blue Line to Huntington, Inner Green Line. Additional rail cars would also be purchased with the remaining FY 82 funds.

Q. I understand that while the Carter Administration had requested a $65 million supplemental and $350 million for Fiscal Year 1982 for rail construction funding, the Reagan Administration has eliminated the supplemental request and has recommended to the Congress only $600 million in interstate highway transfer funds for all eligible transit projects. Based on the Reagan Administration recommendations and the fact that WMATA has already received $270 million of federal interstate transfer funds in Fiscal Year 1981, what size of rail construction program is anticipated for Fiscal Year 1981 and Fiscal Year 1982? Please describe the anticipated impact of this level of construction with regard to your efforts to open additional stations and miles of service.

A. WMATA is currently developing a FY 1982 program based on a $350 million funding level. The program has not yet been presented to the Board of Directors but the preliminary program is provided herewith for the Committee's benefit.

WMATA
FFY 1982 Proposed Rail Construction Program ($350 Million)
Budget Items
$ in Millions

	DESIGN	REAL ESTATE	STRUCTURAL	STAGE & FINISH	OTHER	TOTAL
I. DESIGN, REAL ESTATE & CONSTRUCTION						
Complete 60 mile system	--	--	--	$108.4	--	$108.4
Ballston to Vienna (K Route)	--	--	20.5	--	--	20.5
Anacostia to U-Street (E/F Routes)	--	--	108.6	--	--	108.6
Silver Spring to Forest Glen (B-Route)	--	--	21.5	--	--	21.5
King Street to Franconia-Springfield (H/J Routes)	--	10.5	--	--	--	10.5
Columbia Heights to Greenbelt (E-Route)	$6.6	--	--	--	--	6.6
Anacostia to Proposed Rosecroft (F-Route)	1.4	--	--	--	--	1.4
Other Construction	--	--	6.0	--	--	6.0
Subtotal	$8.0	$10.5	156.6	$108.4	--	281.5

NOTE: This program has not been reviewed by the WMATA Board.

WMATA
FFY 1982 Proposed Rail Construction Program ($350 Million)
Budget Items
$ in Millions

	DESIGN	REAL ESTATE	STRUCTURAL	STAGE & FINISH	OTHER	TOTAL
II. MISCELLANEOUS						
Start-Up for National Airport to Huntington and Gallery Place to Pentagon	--	--	--	--	6.0	6.0
Insurance	--	--	--	--	35.0	35.0
Rail Cars	--	--	--	20.0	--	20.0
Fare Collection Equipment	--	--	--	4.0	--	4.0
Contract Supervision & Administration	8.9	--	20.0	2.6	--	31.5
Metro Project Management	4.4	2.5	2.0	1.0	2.6	12.5
Program Contingencies	--	--	19.2	--	--	19.2
Subtotal Miscellaneous	13.3	2.5	41.2	27.6	43.6	128.2
TOTAL 1982 BUDGET	21.3	13.0	197.8	136.0	43.6	411.7

Q. From your statement I understand that you have requested the Committee to provide $350 million for construction funding pursuant to the authorities provided in P.L. 96-184. This legislation required as a condition a finding that the local jurisdictions have a "stable and reliable" source of local revenue to insure the continued operation of the system. Please describe for the Committee the status of the local jurisdictions' efforts to obtain this stable and reliable source of funding.

A. The States of Maryland and Virginia have enacted legislation earmarking funds to provide stable and reliable sources of revenue for meeting their share of operating assistance and debt service costs for WMATA.

In Virginia, the law provides for a phased-in retail sales tax on fuels in Northern Virginia. The first phase of the tax, which is currently in effect, is two percent. That doubles to four percent effective in fiscal year 1983.

The Maryland law provides that the State's Transportation Trust Fund will pay 75 percent of the local share of operating assistance net of Section 5 funds and based on a 50 percent operating revenue/cost recovery factor. Additionally, the fund will pay 75 percent of the debt service on the WMATA revenue bonds and 100 percent of the Maryland share of WMATA capital costs.

The Mayor of the District of Columbia has developed a plan to meet the stable and reliable requirement and submitted legislation to the City Council on January 13, 1981, to enact the plan into law.

The District plan is most comprehensive. It identifies all Metro and Metro-related costs to the city and dedicates tax revenues sufficient to cover all of those costs. It's plan goes far beyond that required by PL 96-184, the National Capital Transportation Amendments of 1979, in that it covers all capital requirements as well as operating assistance and debt service.

The City Council plans hearings and action on the measure in the near future.

Q.

Some of the earliest estimates for construction of the Washington subway system were in the $2 billion to $3 billion range. Estimates for completing the system now range up to $10 billion. While we have heard repeatedly the argument that inflation has accounted for most of this cost escalation, the Committee has also been advised that the average level of worker productivity on the system is lower than any other major capital project in the county. Please provide worker hour productivity data for subway construction to date. How does this productivity compare with that of other major systems throughout the country?

A.

The cost estimates for the Washington METRORAIL system have increased from about $2.5 billion in 1969 to the current $8.2 billion as detailed in

our 1980 imput to the General Accounting Office report: "Financial Status of Major Federal Acquisition."

The Washington Metropolitan Area Transit Authority utilizes competitively bid fixed price construction contracts for the vast majority of its construction. As such we have awarded contracts to a wide varity of competitive contractors to include some of the largest and most efficient in the construction industry. In fact, some of our contractors may have contracts with several of the Transit Properties in the U.S.

However, the Authority does not compile construction worker productivity data since production efficiency and effectiveness is the responsibility of the Prime Contractor. As far as the Authority is aware, this same procedure is utilized by all the Transit Properties for construction. Thus we have no productivity data for our system nor any of the other properties and are not familiar with any compartive analysis about which you may have been advised.

Q. As you know, the Reagan Administration has proposed eliminating UMTA operating subsidies to be phased out over a 4 year period. Please outline for the Committee the revenues that you project will be lost because of this recommendation and what thoughts WMATA has for adjusting to this change.

A. The following outlines by tier the year-by-year reduction in Section 5 operating assistance for the Washington Metropolitan region based on the proposed legislation assuming full appropriation and no change in the present formulas:

By Fiscal Year
(In Millions of Dollars)

	1981	1982	1983	1984
Tier 1	19.53	19.53	11.03	2.53
Tier 2	4.62	4.62	4.62	4.62
Tier 3	1.86	1.86	1.86	1.86
Total	26.01	26.01	17.51	9.01

Reaction to the phase-out of Section 5 funding may vary among jurisdictions. Jurisdictions will want to offset the reduction of Federal operating assistance with some combination of fare increases, service adjustments, and/or increased local assistance.

[9 PICAS TO TRIM—NEW ODD PAGE]

INTERSTATE COMMERCE COMMISSION

STATEMENT OF MARCUS ALEXIS, ACTING CHAIRMAN

ACCOMPANIED BY:
ROBERT C. GRESHAM, COMMISSIONER
THOMAS A. TRANTUM, COMMISSIONER
SANFORD REDERER, MANAGING DIRECTOR

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The next group is the Interstate Commerce Commission.

Mr. Alexis, it is good to see you here today. If you will introduce your colleagues and proceed with your statement, and let me assure you that your statement will appear in the record as if read, if you will. You may highlight it and we can proceed with questions.

ALEXIS SUMMARY STATEMENT

Mr. ALEXIS. Thank you, Senator. With me today and to my right is Commissioner Robert Gresham, who is the dean of the Interstate Commerce Commission. He will serve as cowitness with me. To his right is Commissioner Thomas Trantum; and to my left is the Managing Director of the Agency, Sanford Rederer.

Mr. Chairman, I appreciate the opportunity to be here today to discuss the Interstate Commerce Commission's fiscal year 1982 budget. Rather than reading the entire formal statement, I prefer to summarize the most important points.

The past year has seen significant changes in the role of the Commission in regulating surface transportation. We are revising our original budget request to reflect expenses of operating under reformed statutory direction. When the fiscal year 1982 salaries and expenses budget was prepared, our fiscal year 1980 ceiling was 2,024 positions. We anticipated that the Household Goods Act, the Staggers Rail Act, and particularly the Motor Carrier Act of 1980, coupled with more efficient work processing methods, would eventually reduce the workload of the Commission. Accordingly, the budget request of $85.4 million calls for a reduction in staffing to a level of 1,870 full-time permanent positions by the end of fiscal year 1982.

OMB did not recommend changes in our estimate which you now have before you as part of former President Carter's budget. Our experience under the new legislation has been very positive. I will briefly mention a few areas.

While the volume of operating authority and restriction removal applications filed has been high, it has not reached the level that we anticipated. Our intensive effort to eliminate the case processing backlog has been very successful, and by the end of April we will have only a normal pending workload of about 8,500 cases.

Also, the rules adopted by the Commission under the act have made the use of oral hearings unnecessary in most operating rights proceedings, leading to a decreased need for administrative law judges and support staff.

In addition, the need for some of the activities performed by the Commission's field staff has diminished under the new legislation. Our staff will continue to investigate and prosecute violations of the Interstate Commerce Act and related acts in response to shipper and carrier complaints; however, we will emphasize shipper and carrier self-help and deemphasize Commission intervention.

Fewer resources will be devoted to compliance surveys and tracking down minor or technical violations. We will also discontinue most routine audits of motor carriers.

Finally, because most of our planning and analysis effort will be devoted to monitoring the impact of regulatory reform rather than developing new legislative and administrative proposals, we now anticipate that we can save additional positions in this area.

While it is still difficult to assess the full impact of reform legislation, lower than anticipated workload and improved productivity convince me that the Commission can function effectively with the 1,600 full-time permanent positions recommended in February by the Office of Management and Budget and presented here in our revised fiscal year 1982 budget. Such a reduction in staff will allow us to reduce our budget request to $79 million and project additional savings of at least $2 million for fiscal 1983.

Further, I am confident that the 1,600 staff level can be reached by the end of fiscal year 1982 without laying off Commission employees. With added experience, by next year we anticipate being able to provide you with a more reliable estimate of our workload as well as a clearer picture of where we can make further reductions for fiscal 1983.

Concerning the directed rail service appropriation, we are still working on the followup to the Kansas City Terminal's—KCT—directed rail service over the Rock Island line. It is likely that the KCT will have a cash shortfall before the final accounting is completed. It may be necessary for the Commission to request a supplemental appropriation of $1 to $2 million in the next few months. We will keep you posted on the situation as events occur.

Thank you, Mr. Chairman. That concludes my statement.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF MARCUS ALEXIS

I appreciate the opportunity to be here today to discuss the Interstate Commerce Commission's fiscal year 1982 budget.

The past year has seen significant changes in the role of Government in regulating surface transportation. We are attempting to provide you a realistic budget request that reflects the staffing and funds required to carry out our responsibilities in this new regulatory environment.

SALARIES AND EXPENSES APPROPRIATION

When our fiscal year 1982 budget was prepared and submitted to OMB, the Motor Carrier Act of 1980 had just been enacted and most of the implementing rulemakings had been issued for public comment. The Staggers Rail Act of 1980 and the Household Goods Transportation Act of 1980 had not yet passed Congress. Since that time, we have been working to improve efficiency and carry out all of these legislative directives. I believe that we have been dramatically successful in doing both.

We anticipated that the new legislation, particularly the Motor Carrier Act, would eventually reduce the workload of the Commission after a short-run increase due to rulemaking activities and efforts required to eliminate a huge case backlog. Accordingly, our original budget request to OMB of $85.4 million called for a reduction in staffing to a level of 1,870 full-time permanent positions by the end of fiscal year 1982, compared with a ceiling of 2,024 positions in fiscal year 1980. OMB did not recommend any changes in our estimates, which you now have before you as part of President Carter's budget.

At the time we put the original FY 1982 estimates together, we committed ourselves to re-evaluating them in approximately six months based on our experience under the new legislation. We have now substantially completed that review. I am convinced that we can meet our statutory responsibilities and carry out all other high-priority program activities at lower staffing levels than originally projected.

I believe that by streamlining our operations and operating at maximum efficiency, the Commission can function effectively with the 1,600 full-time permanent positions in our revised fiscal year 1982 budget. This staffing level and budget request are in line with reductions recommended in February by the Office of Management and Budget. This decrease in staffing would allow us to reduce our budget request to $79 million. This leads to a projected additional savings of at least $2 million for fiscal 1983.

The 1,600 staff level can be reached without disruption in service and without laying off Commission employees. Employees who have worked hard over the past few years to help reform transportation regulation and to improve productivity should not be faced with sudden loss of jobs through reductions-in-force or other adverse actions. The reduction to 1600 can be accomplished through normal attrition, supplemented by early retirement and aggressive out-placement efforts. We will make every effort to minimize the hardships on our employees.

I will summarize briefly some recent changes in Commission programs.

PROCEEDINGS

During 1980, the Commission successfully completed a project to eliminate backlogs of approximately 18,000 applications for motor carrier permanent operating authority and 4,000 applications for temporary authority. Over 28,000 permanent authority cases were completed in 1980, compared with 15,000 the year before.

Our budget projected a substantial increase in filings for operating authority and restriction removal under eased entry provisions of the Motor Carrier Act. While the volume has been high, it has not reached the levels we anticipated. Applications have been filed at an average rate of only 1,875 per month for the first four months of fiscal 1981 as compared with the 2,200 projected; and only 20% have been protested compared with a prior rate of close to 30%.

Our budget also projected a significant reduction in the use of oral hearings, with corresponding decreases in the number of Administrative Law Judges and their support staff. The rules adopted by the Commission under the Motor Carrier Act have made unnecessary the use of oral hearings in most operating rights proceedings.

The combination of less-than-anticipated volume, significant increases in productivity, a reduction in oral hearings, and elimination of the case backlog, will allow us to reduce our staff in those offices involved in handling permanent authority cases.

We are well along with a program to replace lawyers with paralegals. We have been very successful in our out-placement efforts for Administrative Law Judges, and we have gained approval from the Office of Personnel Management for early retirement programs for ALJ's and for attorneys in the Office of Proceedings.

These changes, along with smaller reductions in supporting offices, will allow us to reduce end-of-year employment in the Proceedings program by an additional 61 positions from our original projected need of 830.

COMPLIANCE AND CONSUMER ASSISTANCE

Last May, the Commission undertook a reorganization of its compliance program. The operations and consumer assistance activities were merged with investigations and enforcement activities into a single Office of Consumer Protection. Field staff now report to the director of that Office, rather than using the Commission's Managing Director as a middleman. The field audit staff remains separate but now reports directly to the Bureau of Accounts.

The reorganization simplified the lines of authority and communication between headquarters and the field. The result is a program which is better managed and more responsive to the policy direction of the Commission and the intent of the new legislation.

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The Commission has been working to establish new priorities for compliance and enforcement activities to direct efforts toward such matters as insurance, safety, and hazardous waste disposal violations, in those instances where no practical alternatives to Commission action are available.

Our staff will continue to investigate and prosecute violations of the Interstate Commerce Act in response to shipper and carrier complaints. We will devote fewer resources to compliance surveys and other activities designed to track down minor or technical violations by otherwise law-abiding companies. In cases in which a complainant has ample means and standing to bring private court action seeking relief, we will emphasize self-help and deemphasize Commission intervention.

The need for some of the activities performed by Commission field staff has diminished under the new legislation. For example, those laws now allow carriers to use certain marketing practices formerly prohibited by the Elkins Act. Relieving the Commission of having to monitor those practices, which are routine in unregulated industries, has reduced the enforcement caseload and put greater reliance on the marketplace. Also, under the Staggers Act, railroads may enter into contracts containing provisions which previously would have been prohibited as concessionary. Similarly, we are relying primarily on the industry and the marketplace to resolve rail car shortages and other rail service problems formerly handled in detail by Commission staff. We remain prepared to step in and help if an emergency develops.

We are discontinuing most routine audits of motor carriers, since the Motor Carrier Act gave greater flexibility to carriers to set their own rates through individual actions or individual filings within the zone of reasonableness. This has reduced the Commission's reliance on individual motor carrier cost and revenue data for regulatory decisions.

The new motor carrier and rail acts also allow us to reduce the amount of effort related to suspension of rate increases and settling informal disputes over tariff provisions. In addition, efficiency gains are still being made in processing tariff filings.

At the same time, greater emphasis is being placed on activities mandated by law, such as handling emergency and temporary authority matters and verifying compliance with insurance and other fitness requirements. We are continuing to emphasize complaint handling and other consumer assistance activities, as well as programs designed to educate and assist small businesses in understanding and participating in a more competitive environment.

Savings that can be realized in the compliance and consumer assistance program that were not anticipated at the time we prepared our original 1982 estimates amount to 192 end-of-year positions out of our original request for 840.

PLANNING AND ANALYSIS

During the past three years, a substantial amount of agency personnel time has been devoted to planning and analysis activities. This has included developing and commenting on legislative proposals, undertaking major rulemakings, and performing economic and financial analyses regarding the general state of the regulated industries and the potential impact of deregulation. Our need for this type of planning and analysis activity has reached its peak since enactment of the regulatory reform legislation and completion of the major implementing rulemakings.

By fiscal year 1982, our need for planning and analytical activity is expected to decrease and shift in emphasis. Most of our efforts will be devoted to monitoring the impact of regulatory reform rather than developing new legislative and administrative proposals. We now anticipate that we can save an additional 17 end-of-year positions from our original budget

proposal of 200 positions. Nearly all of this reduction would occur in the Office of Policy and Analysis.

CONCLUSION

While it is still difficult to assess the full impact of reform legislation, the situation has become clearer in the past six months. Our workload has not reached the levels originally projected, and staff productivity has increased faster than expected. In spite of a hiring freeze that has reduced our current full-time employment to below 1,800, from over 1,950 a year ago, we have accomplished the major tasks of implementing three new statutes and eliminating the backlog of unprocessed motor carrier authority applications. I am convinced that we can maintain our effectiveness with the revised fiscal year 1982 budget and reach a lower employment target without undue dislocation of Commission staff.

To a large extent, uncertainties with respect to our workload are dictated by our rather short experience under the legislation coupled with the state of the economy. By next year we anticipate being better able to provide the Committee with an estimate of our workload, as well as a clearer picture of where we can make further reductions in fiscal year 1983.

DIRECTED RAIL SERVICE APPROPRIATION

In September 1979, the Rock Island Railroad was forced, due to a cash shortage, to cease operations. The Commission exercised its statutory authority to direct the Kansas City Terminal (KCT) to take over Rock Island operations so that service could be continued. The Commission guaranteed that the KCT would be reimbursed for any losses and would earn a 6-percent profit on the directed service. Congress appropriated $76 million which, when added to funds still available from a prior appropriation, gave the Commission $80.6 million for this purpose. The directed service period ended on March 23, 1980. However, a final accounting of the monies owed to the KCT has not yet been completed. We now have only $23,000 remaining in the appropriation.

It is likely that the KCT will run out of cash before the final accounting is completed in July. Contributing to the cash shortfall is the erroneous posting by the bank of $5 million to the Trustee's account, rather than the KCT's. That money is being held in escrow, on court order, pending final resolution of all liability claims between the parties. The Commission has filed an appeal of this decision but it appears unlikely that the matter will be resolved before the shortfall occurs.

When the directed service payments are finally settled, we believe the total net cost to the Government will be less than the $80.6 million that was available. Law suits are pending involving counterclaims between the Rock Island Trustee and the KCT. The Trustee claims that the KCT owes him $12 million for use of Rock Island track and equipment during the directed service period. The Commission has determined that the KCT does not need to pay for the use of track and equipment and our figures indicate that the Trustee will owe the KCT approximately $8 million in disputed payments.

Meanwhile, until these disputes are settled by the Courts, we may find it necessary to request a supplemental appropriation, because of the cash shortage anticipated by the KCT. We are trying to find alternative ways to handle this problem and will keep you informed of our progress.

ATTACHMENT 1

FISCAL YEAR 1982 REVISED BUDGET RECOMMENDATIONS*
FOR FULL-TIME PERMANENT END-OF-YEAR CEILING

	Original FY' 82 Budget Ceiling	On-Board Strength As of 2-7-81	Difference Between Current On Board Strength and FY'82 Revised Budget	Revised FY' 82 Budget Ceiling
Commissioners	85	73	+12	85
Proceedings	333	345	-27	318
Hearings	43	62	-44	18
Secretary	85	78	-3	75
General Counsel	47	41	+3	44
Special Counsel	12	9	+1	10
Traffic	158	134	-6	128
Policy and Analysis	90	78	-3	75
Accounts	196	204	-38	166
Consumer Protection	601	546	-55	491
Managing Director	220	226	-36	190
Total	1870	1796	-196	1600

* The revised FY'82 ceiling figures for each bureau and office are guidelines which are subject to Commission modification at a later date.

ATTACHMENT 2

FY 1982 BUDGET PROGRAMS
Activities and Revised Employment Ceilings

PROCEEDINGS

- Formal cases
- Informal cases
- Oral hearings
- Cost, financial and economic analysis (case related)
- Appeals litigation (defense of Commission decisions)
  Original FY' 82 Budget - 830
  Revised FY '82 Budget - 769

CONSUMER ASSISTANCE & PROTECTION

- Complaint handling
- Inquiries, interpretations, public information
- Small business assistance
- Consumer oriented programs
- Public reference files and services
- Compliance surveys
- Criminal and civil investigations and litigation
- Rail car service
- Audits
- Publications
  Original FY '82 Budget - 840
  Revised FY '82 Budget - 648

PLANNING AND ANALYSIS

- Rulemaking and policy development
- Cost, economic, and financial research and analysis (policy related)
- Rail services planning activities
- Legislative proposals
  Original FY '82 Budget - 200
  Revised FY '82 Budget - 183

COMMISSIONER CLAPP, concurring:

All members of the Commission except Commissioner Trantum, whose views are set forth in his separate expression, agree that we should accept the personnel ceiling of 1600 set by the Office of Management and Budget as our mark for FY 1982. I want to underscore our agreement on that point. Careful attention to that ceiling and to the allocation of personnel within it will be required to ensure success while continuing to meet our responsibilities to the Congress and to the public but we are convinced we can achieve that objective.

The subcommittee should know, however, that only the Acting Chairman has endorsed the bureau and office allocations proposed by the Managing Director within the 1600 projected ceiling. All other Commissioners in their comments and voting on the statement submitted to you specifically stated that the allocations should not be regarded as binding on them. The reasons differed. Some Commissioners were reluctant to get into specifics at this time, believing that once a permanent Chairman is selected there should be further discussion. Others were specific while also pointing out that the views of a permanent Chairman should be considered before final determinations are made.

Commissioners, are divided, for example, on the questions of whether we are pursuing an adequate enforcement program. Enforcement has been a matter of continuing discussion over an extended period with no effective resolution. The transportation legislation enacted last year reduced economic regulation in many areas while increasing our responsibilities in others. The latter include placing greater emphasis on certain criminal violations. It is my understanding that in the near future the Commission will be considering a proposal in the enforcement area which will provide an opportunity to sharpen our focus. The outcome may well affect personnel allocations.

BIOGRAPHICAL SKETCHES

Marcus Alexis, Acting Chairman: Born in Brooklyn, New York, Commissioner Alexis was nominated to the Commission by President Carter and sworn in August 27, 1979. Prior to joining the Commission, Alexis was Chairman of Northwestern University's Economics Department and a professor there since 1970. He also has taught at the University of Minnesota, Macalester College, DePaul University, the University of Rochester, and the University of California. Born February 26, 1932, Alexis holds a B.A. degree from Brooklyn College, an M. A. from Michigan State University, and a Ph. D. from the University of Minnesota. He also did Post Doctorate work at Harvard and M. I. T.

Robert C. Gresham, Commissioner: Born in Booneville, Mississippi, Commissioner Gresham was nominated to the Commission by President Nixon and sworn in December 15, 1969. Prior to joining the Commission, Gresham was minority staff director for the House Appropriations Committee from 1965 to 1969. He has also served as assistant director of research to the Council of State Chambers of Commerce, executive assistant to the associate director of the FBI, and FBI special agent. Born November 12, 1917, Commissioner Gresham received an A.A. degree from Sunflower Junior College and a B.C.S. degree from Southeastern University. He also attended the George Washington University School of Government.

Thomas A. Trantum, Commissioner: Born in Englewood, New Jersey, Commissioner Trantum was nominated to the Commission by President Carter and sworn in on July 23, 1979. Prior to joining the Commission, Trantum was a security analyst specializing in transportation with the New York City firm of L.F. Rothschild, Unterberg, Towbin. From 1971 to 1978, he was a security analyst with Wainwright Securities. Born July 25, 1944, Trantum holds a B. A. degree from the College of Wooster and an M. B. A. from New York University. He served in the U.S. Army from 1968 to 1971.

Sanford Rederer was appointed Managing Director in March of 1980. Before coming to the ICC, Mr. Rederer was Director of the Bureau of International Aviation, and a staff economist for the Civil Aeronautics Board. He has an A.B. degree in Economics from Hamilton College, an M.A. degree in Economics from the University of California (Berkeley), and has completed the course work for a Ph.D. in economics.

TRANTUM STATEMENT

Senator ANDREWS. Thank you, Mr. Alexis.

I see Mr. Gresham used to be on the staff of the House Appropriations Committee, on which I served for some 17 years. I know too well in the group I was brought up in that the appropriations made available are inversely proportional to the length of the presentation.

I understand we also have a statement from Mr. Trantum, a member of the Commission. The same rules apply. Your statement will appear in full in the record. We will be glad to have you summarize the highlights of it.

SUMMARY STATEMENT

Mr. TRANTUM. Thank you very much, Mr. Chairman.

I would simply like to make four points to you:

First of all, I am here to ask the committee for less money. I believe very sincerely that the Interstate Commerce Commission can do a better job with fewer dollars in fiscal 1982. I believe we can save $29 million, or 37 percent of the amount which the majority proposes.

A second point: Our past priority was regulatory reform because it is a clear consumer benefit. Now, in my judgment, it is time for administrative reform. The cutbacks that I propose are primarily linked to efficient management and only secondarily to regulatory reform.

Without these types of administrative reforms I believe we have an irony that develops. We expect regulated carriers to eliminate inefficiency but the ICC appears unwilling to do the same.

Third, here is an opportunity to make budget cuts without sacrificing statutory obligations for necessary ICC services. We can all agree on the importance of cutting Federal spending consistent with administrative and congressional efforts. The ICC represents an easily achieved source of $29 million.

Fourth, the critical choice is summed up in how you approach the problem. On the one hand, you can ask the question, What does the statute require that we do? On the other hand, you can ask the same question differently by saying, What can we use the statute to justify?

In the past, the ICC has gone way beyond the statutory obligation. I believe a narrow interpretation is far more consistent now with the new, historic transportation legislation passed last year. The ICC can justify $80 to $90 to $100 million legally, but I feel the new statutes should be interpreted as calling for minimum interference in the transportation industry.

I am fully prepared to discuss the specifics of my proposal.

I would like to ask you if I could submit for the record a more detailed description of exactly the areas that I propose to cut from the majority position? If time does not permit an extensive review of these numbers, I would certainly be happy to document any of my suggestions or, even better yet, have you or any of your staff come over for a firsthand look at ICC activities.

PREPARED STATEMENT

Senator ANDREWS. We will include those figures at the conclusion of your testimony, Mr. Trantum.

Mr. TRANTUM. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF THOMAS A. TRANTUM

I appreciate the opportunity to present my views on the Interstate Commerce Commission's FY 1982 budget. There are several issues on which my opinions differ from those of my fellow Commissioners.

We have come a long way toward deregulation, but we must continue to eliminate unwarranted bureaucratic intrusions into the rail and motor carrier industries. At the same time, we must respond to President Reagan's fiscal challenge by sharply reducing the direct costs of our regulatory activities. With these two goals in mind, I have submitted this separate statement. I am also prepared to answer any specific organizational or policy questions you may have.

I urge the Congress to consider reducing the Commission's budget below the level requested in the Acting Chairman's statement. Structural realignment of the agency and elimination of nonessential functions and programs can reduce the Commission's staff to 1,000 by the end of FY 1982. At that size, the Commission would be operating at a budget level of $50 million per year.

It is important to recognize that the new legislation enacted in 1980 -- the Motor Carrier Act, the Staggers Rail Act, and the Household Goods Transportation Act -- resulted in regulatory reform, not deregulation. Consequently, we still must perform a variety of regulatory tasks, including implementation of the new legislation. However, the Commission can undertake much more drastic budget cutbacks than those proposed in the Carter Budget or in the Commission's March 10, 1981 statement, and still comply with all statutory requirements.

The Motor Carrier Act eases entry into the trucking industry, permits truckers to change their rates more freely, and reduces the scope of antitrust immunity to encourage more price competition. However, the statute still requires the

ICC to review each and every application for route authority. We expect to see more than 22,000 applications during FY 1982. Less than 1 percent of all applications are denied for substantive reasons. Yet, adjudication of these cases accounts for the bulk of the $27 million (FY '82) we spend on motor carrier matters. In essence, the ICC spends the lion's share of a $27 million budget item to reject 1 percent of all applications it receives in a year.

My purpose is not to challenge the cost effectiveness of entry regulation by the Commission. My point is that administrative reform has not kept pace with regulatory reform in our agency. My proposal specifies major cost savings in entry and in other areas, not by shirking our statutory obligations, but by doing our work more efficiently. A better job can be done with fewer personnel and at less expense to the taxpayer.

The Commission's role in regulating the carriers of household goods provides another example of where our work can be done better for fewer dollars. The Household Goods Transportation Act establishes the same entry and rate standards as the Motor Carrier Act. But it also directs us to curtail red tape and paperwork requirements unique to regulation of the moving industry. In addition, the new statute prescribes criminal penalties for the most troubling and harmful activities in this industry. We have reduced the red tape, but we have not made budgetary reductions commensurate with our reduced presence in that industry's affairs.

The rail area presents a situation similar to the motor carriers of freight. Administrative reform lags far behind regulatory relief. The Staggers Act directs us to reduce our interference in the day-to-day affairs of the industry. However, our budgetary requests do not reflect this instruction. In fact, the Staggers Act provides the Commission with authority

to exempt segments of the industry from regulation entirely. We have already exercised this power to deregulate TOFC/COFC service, which accounts for 8 percent of all rail carloadings. Where regulation is not required to protect the public interest we can use this tool, and also achieve budget savings as a result.

Despite these reforms, we still must regulate many aspects of the motor carrier and railroad industries. The Carter Budget proposed a staffing level of 1,870 and a funding level of $85.4 million; the current Commission proposal calls for 1,600 staff and $79 million. However, the Commission's responsibilities can be fully met with a staff of 1,000 and a budget of $50 million. As I will explain, much of the additional reduction of 600 staff is unrelated to the legislation passed during 1980. Furthermore, as the new acts are fully implemented and the backlog of old cases is eliminated, further reductions will be possible.

The most pressing issues during the last few years have been policy issues. The Congress and the Commission have emphasized the importance of reducing harmful, artificial barriers to competition in the trucking and railroad industries. This makes good sense, because the cost to the public of restrictive regulation is many times greater than the agency's budget.

But, the Commission's internal structure has not evolved as rapidly as the statute we administer. The agency has been slow in adjusting to new priorities and procedures. Its proposed budget reflects this laxness, which conflicts both with our reduced role in regulating and with the Administration's desire to trim budget fat. Significant inefficiencies and duplications exist at all levels within the agency. We have not come to grips with bureaucratic and administrative inertia. The irony of our failure in this regard is that we now expect the industries we regulate to become more efficient.

Numerous glaring examples show how bureaucratic inefficiency thwarts the goal of regulatory reform as intended by Congress. For example, we meet statutory deadlines in deciding applications for route authority, but it is not uncommon for a trucker to wait an extra two months or more for its license to be issued so that it can start hauling freight. Occasionally, it takes six months. On the other hand, inefficient organization often prevents the agency from evaluating those matters which Congress instructed us to consider carefully. We frequently make important decisions in haste. The answer is not to extend the deadlines. The answer is to improve efficiency.

A smaller agency, consisting of 1,000 employees -- with well defined lines of authority and efficient use of personnel where they are needed most -- is adequate. Consistent with this level, the Commission should be organized with five bureaus instead of the present nine. Administrative and managerial positions can be substantially reduced while programmatic staffing cuts will be possible in duplicative and non-productive areas. (Please refer to the chart on Page 7).

Regarding the Commissioners' offices, our revised numbers assume five commissioners with each office reduced from 8 to 7 staff. The Congressional Relations and Communications staffs are set at 6 each, and the Small Business Assistance Office is transferred to the Office of Consumer Protection.

The Managing Director's Office will require fewer staff to perform its administrative functions with the Commission decreased to 53 percent of its FY 1981 size. Combining the case processing functions of both the Office of Proceedings and the Office of the Secretary will significantly cut paper flow and eliminate duplicative staffs. Equally important, it will center responsibility for pre-adjudicatory case processing in one office. In fact, more than 75 percent of all formal cases received by the Commission will be completely

ALTERNATIVE FY 1982 STAFFING AND BUDGET LEVELS

	Carter Administration Budget	Commission's March 10 Budget	Revision Based on Reorganization
Commissioners' Offices	85	85	52
Office of the Managing Director	220	190	
Office of the Secretary	85	75	265
Office of Proceedings (pre-adjudication)	70	70	
Office of Proceedings (adjudication)	263	248	
Office of Hearings	43	18	245
Office of the General Counsel	47	44	38
Office of Policy and Analysis	90	75	
Bureau of Accounts (case analysis)	79	75	85
Bureau of Accounts (audit & reports)	117	91	
Office of Consumer Protection	601	491	
Bureau of Traffic	158	128	315
Office of the Special Counsel	12	10	
Total Staff	1,870	1,600	1,000
Total Budget (million)	$85.4	$79	$50

disposed of within this office. Efficiencies resulting from reorganization, as well as the elimination of the case backlog, transfer of ETA and TA processing to the field, and streamlined processing of non-protested cases will allow for significant reductions in staff while providing for expedited service.

With its pre-adjudicatory functions transferred to the Managing Director's (Secretary's) office, the Office of Proceedings will become solely a point of adjudication. The reduced number of oral hearings cases, and the concomitant reduction in administrative law judges, justifies a single office managing attorneys and ALJs for more effective staff utilization and case assignment. Elimination of the significant case backlog, a continuing decrease in protested operating rights cases, and the transfer of ETAs and TAs to the field also support staff reductions.

The necessary functions of the General Counsel will require a staff not significantly smaller than the present size. The role of the Special Counsel is not statutorily mandated, and, in appropriate cases, can be performed by the Office of Consumer Protection.

The Office of Policy and Analysis performs analysis for the Commission in general (and for the Office of Proceedings in particular cases). Sections in the Bureau of Accounts also provide support on many of the same cases from an accounting and costing standpoint. Coordination of these analytical functions is not taking place at an appropriate level. Staff reductions are possible without elimination of necessary functions due to the integration of staff, elimination of the early warning program, deemphasized development of costing systems, and decreased need for rate analysis.

The Office of Consumer Protection is responsible for all field functions except the few still controlled by the Bureau of Accounts. Separation of the audit and enforcement functions is inefficient and unwarranted. Field offices must be combined to better utilize the staff. Other savings will be produced by eliminating the tariff review function, which results in rejection of only one percent of the 800,000 tariffs filed each year. Adequate oversight is available on the basis of the already established Tariff Integrity Board.

In addition, the Commission should refrain from acting as a mediator between shippers and carriers in much of the work handled by the Rates and Informal Case staff. Other than the tariff review function, the work of the Bureau of Traffic is largely compliance related and should be combined with the overall compliance program.

In conclusion, the Commission's budget proposal of 1,600 staff does not trim all of the agency's fat or take advantage of structural reform. Potential efficiencies have been implemented in the last few years, but associated staff cuts have not been made. A staffing level of 1,000 takes both of these factors into account.

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OFFICE OF COMMISSIONER TRANTUM

PROPOSED ALTERNATIVE INTERSTATE COMMERCE COMMISSION
FISCAL 1982 BUDGET
(In thousands)

Salary & Expenses	Budget at 1600	Budget at 1000	Savings
Personnel Compensation and Benefits	$55,559	$33,912	$21,647
Travel	2,322	700	1,622
Transportation	85	45	40
Standard level user charges	4,687	3,598	1,089
Communications, utilities and other rent	3,793	2,552	1,241
Printing and reproduction	4,213	3,171	1,042
Contracts	5,964	4,253	1,711
Supplies, materials and equipment	2,282	1,472	810
Leasehold Improvements	95	50	45
Totals	$79,000	$50,000	$29,000

CATEGORICAL DISTRIBUTION OF STAFFING REDUCTIONS

A. Lower workload	161
B. Efficiencies	95
C. Duplication	23
D. Abolishment	106
E. Compliance	215
Total reductions	600

DETAILED CATEGORICAL DISTRIBUTION OF STAFFING REDUCTIONS

A.	Lower Workload:		
	(8)	Congressional Relations	-2
	(8)	Communications	-2
	(45)	Reduction of 1 staff for each of 5 Commissioners	-5
	(178)	Managing Director (reduction of administrative support)	-40
	(145)	Managing Director (case processing-Sec. & Proc.-small caseload)	-10
	(175)	Proceedings (reduced backlog in O.R. & less protested cases in O.R. & Finance)	-21
	(44)	General Counsel (reduced caseload)	-6
	(26)	Section of Cost Development (reduced emphasis)	-5
	(40)	Section of Accounting & Reporting (eliminate redundant & unnecessary reports & publications)	-20
	(55)	Sections of Consumer Assistance & Enforcement (Hdg. oversight of programs)	-25
	(100)	Consumer Assistance (selectively respond to the 125,000 complaints & inquiries)	-25
			161
B.	Efficiencies:		
	(50)	Reduced administrative staff from combination of OPA & Accounts	-25
	(96)	Combination of case analysis staff in OPA & Accounts	-5
	(150)	Reduce administrative staff from combination of OCP, Traffic & Accounts plus reduced level of effort	-65
			95
C.	Duplication:		
	(6)	SBAO overlap with OCP	-6
	(145)	Elimination of case processing duplication	-8

	(25)	RSPO's duplicative review of mergers, intermodal relationships, etc.	-4
	(96)	Overlap of cost analysis staff in OPA & Accounts	-5
			23
D.	Abolishment		
	(74)	Reduction from 7 to 5 Commissioners	-18
	(12)	Elimination of Ad Tech	-12
	(25)	RSPO (elimination of studies on demurrage & IPD)	-4
	(17)	Section of Audit & Early Warning (nationwide audits & forecast financial condition)	-17
	(45)	Eliminate Tariff review (rely on TIB)	-20
	(40)	Eliminate Section of Rates & Informal Cases (not act as small claims court - TIB do released rates, emergency rate requests)	-35
			-106
E.	Compliance		
	(40)	Eliminate routine audits	-10
	(280)	Cut field compliance efforts to known harmful instances	-205
			-215

OFFICE DELINEATION OF STAFFING REDUCTIONS

A = lower workload
B = efficiency (reduced mgnt)
C = duplication
D = abolished
E = compliance

Commissioners' Offices:			85 to 52	-33
A	(8)	Congressional Relations	-2	
A	(8)	Communications	-2	
C	(6)	SBAO (overlap with OCP)	-6	
A	(45)	reduction of one staff for each of 5 Commissioners	-5	
D		2 less Commissioners and staff	-18	
Managing Director: (including Secretary and Case Control)			335 to 265	-70
D	(12)	elimination of Ad Tech	-12	
A	(178)	reduction of administrative support staff	-40	
A	(145)	less protested cases; elimination of backlog; transfer of ETA/TA	-10	
C	(")	elimination of processing duplication	-8	
Proceedings: (including Hearings)			266 to 245	-21
A	(116)	elimination of backlog O.R.	-6	
A	(116+59)	less protested cases O.R. and Finance	-15	
General Counsel			44 to 38	-6
A	(44)	reduced case load	-6	
Office of Policy & Analysis: (including Accounts case analysis)			150 to 85	-65
B	(50)	reduction of administrative functions & staff	-25	
C&B	(25)	reduction of Rail Services Planning Office (do not need separate staff to evaluate rail mergers, intermodal relationships; no more need for studies on demurrage or IPD)	-4 -4	
A	(26)	reduced efforts in Section of Cost Development (reduced need to develop formulas, procedures, methods, etc. for determining cost of transportation service and revenue need)	-5	
C&D	(96)	Section of Investigations & Rulemakings & Section of Cost & Financial Analysis combined with OPA's Motor & Rail Sections	-5 -5	

D	(17)	eliminate Section of Audit & Early Warning (oversight of field & nationwide audits & forecast financial condition)	-17
Office of Consumer Protection:			720 to 315 -405
B	(150)	elimination of administrative functions & staff	-65
D	(45)	eliminate tariff review-Section of Tariffs (place full reliance on TIB cannot review 800,000 tariffs)	-20
D	(40)	eliminate Section of Rates & Informal Cases (stop acting as a problem solver in tariffs, resolve disputes at informal level, supply interpretations - put 5 people in TIB to do released rates, emergency rate requests, info to small shippers)	-35
E	(40)	eliminate routine audits (field)	-10
A	(40)	reduce report collection & publication	-20
E	(280)	cut field compliance & enforcement efforts to known harmful instances (170 - compliance; 85 investigation, 25 hdq.; stop road checks, studies of financially troubled carriers, monitor rail contracts)(remember Beagle)	-205
A	(55)	cut associated oversight from Consumer Assistance and Section of Enforcement (Field, Hqts.)	-25
A	(100)	selectively accomplish consumer assistance (125,000 complaints & inquiries are not all significant)	-25

STAFF ALLOCATION

Senator ANDREWS. Commissioner Clapp mentioned in a statement that all Commissioners except Mr. Trantum agreed to a 1,600 projected personnel ceiling, but that only Chairman Alexis had endorsed the stated allocation plan.

Now, what are the other commissioners' views on allocation of staff? Frankly, I am wondering how a ceiling can be agreed upon without any agreement as to the policies, the areas of emphasis on which staff support allocations within ceilings are based.

Mr. ALEXIS. First, I would like to comment on that statement. Commissioner Clapp is half right and half wrong.

Senator ANDREWS. I thought we might get three differences of opinion among the three of you.

Mr. ALEXIS. Commissioner Clapp is right in saying that the four commissioners—myself, and Commissioners Gresham, Clapp, and Gilliam—are agreed on the 1,600 ceiling.

Senator ANDREWS. That is right, but only you said allocations.

Mr. ALEXIS. He is wrong on that point. It is not true that I have a neat position on the 1,600 allocation. He simply did not check through our clearance procedure to find out what my position was and jumped the gun.

My position, like that of Commissioners Gresham, Clapp, and Gilliam, is that the 1,600 represents a ceiling, but that there should be opportunity for a permanent chairman, when selected, to make some reallocation within the 1,600 ceiling. That was the proposal that was circulated to the commissioners and to which I agreed.

I believe Commissioner Gresham can affirm that.

Mr. GRESHAM. That is true, Mr. Chairman.

Mr. ALEXIS. I do agree with the 1,600 ceiling. Let me speak to the items that are at stake here.

There is a question about an allocation which would represent in some cases between 15 and 25 positions between analysis, evaluation, and enforcement activity.

There are some members of the Commission who feel that the enforcement activity ought to be strengthened with additional resources, and there are others who believe that the new acts, the Staggers Rail Act, the Motor Carrier Act, and the Household Goods Act, all 1980, contain within themselves enough self-policing through the market to make the levels of enforcement activity that existed before unnecessary.

It is clear from the legislative history of these acts that the Congress intended that the Commission reduce its routine investigation and also its enforcement of technical or paperwork violations. This 1,600 budget number, which was the message sent up to the Congress, represents an allocation which we agreed is an initial distribution of personnel, but the final resolution in that restricted area will be determined by a permanent chairman when he or she is selected.

ALTERNATIVE STAFF ALLOCATION

Senator ANDREWS. I understand, then, that you, Commissioner Gresham, and two other commissioners agree with the 1,600 staff allocation as it appears in attachment I to your presentation here this morning?

Mr. GRESHAM. Not entirely, Mr. Chairman. If I may?

Senator ANDREWS. Go ahead.

Mr. GRESHAM. We have a special counsel in the ICC. I see no rhyme or reason for having one. I have recommended over the years that we abolish the operation and transfer those persons who would be removed from there to other functions of the Commission.

I also feel that our enforcement program is not as strong as it should be, but that is an internal matter. Neither the House nor the Senate has ever told the Commission how it should allocate its personnel among its functions except on two occasions, when at the behest of Congressman Conte and Chairman McFall, they allocated some 30 car service agents to the Commission to be used only for that purpose. Actually, the allocation of personnel is an internal matter based on a philosophical view that the commissioners have on what should be done.

I believe with all my heart that the backbone of this Nation is still the small businessman. I think, after the enactment of the three trans-

portation acts last year, our obligation to the American public is greater now than it was before those acts.

I believe that we have to protect the small businessman from the inordinate or unscrupulous activities of carriers. There are thousands and thousands of illegal truckers in this country today, and it certainly is not fair to those men who have pursued operating authority legitimately, and who have a certificate of convenience and necessity, to be competing with those who have nothing.

If a small shipper or receiver uses those men, he has no assurance whatsoever that his lading is going to be delivered. It may be diverted or stolen. The gypsy has no insurance, and there is no recourse against him.

If the ICC is to continue as an able and effective agency, and I think it is, we have an obligation to protect the American public from the vicissitudes that are visited on them by unscrupulous carriers, unscrupulous shippers, and any number of people of that ilk.

Senator ANDREWS. So, to do that you would stick with the 1,600 personnel ceiling by shifting the emphasis from Commissioner Alexis?

Mr. GRESHAM. We have attempted to resolve the problem of what the Commission should be doing, particularly in the field. Former Chairman Gaskins proposed a harm standard. I can understand the harm standard, having been in the FBI. There are some cases that are of such insignificance that you don't bother to investigate them because you have more important matters to pursue. But, to restrict the harm standard to the idea that someone must be physically harmed or economically harmed before you do anything about it, does not make any sense to me.

Our obligation in the field is to see to it that every shipper is served and served well at reasonable rates, and that every carrier lives up to the mandate given him when we grant him a certificate and he files his tariffs and his insurance evidence with us.

I would suggest that the allocation of the resources is something that we must deal with internally, and hopefully, someday soon we can get a majority opinion from the commissioners on what we should be doing.

I am told that a new chairman has been cleared by the leadership of both the House and the Senate. Hopefully, we will get him aboard soon. If he is a good, strong man and feels the same way I do, I am sure we will get it done.

Senator ANDREWS. I totally agree with you, that it is an internal matter for the Commission, but with the difference of opinion then in the appropriations process it becomes incumbent on us to bring out in the record what you intend to use the money for in these different applications.

Mr. GRESHAM. May we have your permission to go with the allocation now before you, Mr. Chairman, with the understanding that if there are material changes we will come back to you and give you an opportunity to comment?

Senator ANDREWS. As the Commissioner knows, this committee is under more constraints to cut spending than any appropriations committee in the history of the Republic.

Mr. GRESHAM. That is true. That is why we so readily agreed with President Reagan that we could function with a smaller number of people and fewer dollars than we had before.

Senator ANDREWS. When we find places where there are suggestions for further cuts or opportunities for further cuts, we are like a bunch of rabbits looking at a field of lettuce; we get very, very intrigued.

Mr. GRESHAM. Commissioner Clapp did not intend to go below the 1,600 figure. He just felt that the allocation of the resources within the Commission should be somewhat different from those proposed in our budget presentation.

Senator ANDREWS. Fair enough.

Mr. ALEXIS. Mr. Chairman, may I make one last comment on that?

Senator ANDREWS. Surely.

Mr. ALEXIS. I think we could summarize the situation to say there is no majority within the Commission for any other allocation than the one that exists in the testimony that was sent to you.

There is an agreement that, partially as a matter of deference and etiquette, we should be willing to be responsive to suggestions that a permanent chairman might make to the Commission; therefore, we have left open the question of a final determination of the allocation.

Commissioner Gresham is correct that the majority of the Commission, four of us, does agree to the 1,600 ceiling as the appropriate ceiling for the funding of the agency.

Mr. TRANTUM. Mr. Chairman, could I make one quick comment?

Senator ANDREWS. Surely.

Mr. TRANTUM. I would like to emphasize that the whole intent of Congress last year was to increase reliance on competition to protect the public interest and reduce reliance on regulatory interference.

In terms of Commissioner Gresham's comment, I would make two points:

The first point is his comment on small business. As far as I know, the largest organization of small business is the National Federation of Independent Businesses, comprised of 600,000 different businesses. They were in complete support of substantially reduced regulation on the part of the ICC.

I would also indicate to Commissioner Gresham that the Household Goods Act passed last year actually specified that the ICC should establish a harm standard or a harm approach. We have not yet done that, but that is in the statute.

Thank you.

ALTERNATIVE STAFFING LEVEL

Senator ANDREWS. Chairman Alexis, in the alternative staffing levels proposed by Commissioner Trantum the largest personnel savings results from his plan to combine the audit and report functions of the Bureau of Accounts with the Office of Consumer Protection, the Bureau of Traffic and the Office of the Special Counsel.

Now, Commissioner Trantum's figures show elimination of 573 positions. What is your assessment of the feasibility or desirability of his proposal?

Mr. ALEXIS. Mr. Chairman, I think you have to get back to the issues of what is statutorily mandated for the agency and what is given to us

by our oversight committees in terms of a set of programs and policies for the agency to pursue.

It is questionable even if one took the narrowest definition of what is statutorily obligatory that the agency could survive and do its required work at this time with 1,000 staff.

If one accepts, as the majority does, that there is a well-articulated mission for the agency set forth by Congress, then that mission, in our view, requires the 1,600 positions. Consequently, cutting out over 500 positions necessarily means removing some of the Commission's activities which represent part of the programs endorsed by Congress.

I might add, Mr. Chairman, that the 1,600 figure represents a reduction of 270 positions from the original Carter budget and that it has been fully endorsed by President Reagan's administration and by the Office of Management and Budget, so that this figure does not represent what might be called a spendthrift budget.

As to this reduction of the numbers of staff through consolidation, Commissioner Trantum has never been clear to me, and I am not sure if he is clear to himself, where those 500 positions are going to come from. They may require the removal of some bureaus and offices, but that has not been clear. Where some of them will clearly come from, however, is the enforcement effort.

I am in agreement that the basis of the 1980 legislation has clearly been to put a greater reliance on the market as the regulator of the transportation sector. However, we still have some requirement to perform investigation and enforcement activities.

It might also be pointed out that the 1,600 already represents a considerable reduction in enforcement activity. So there are built into this budget, which represents a 25-percent reduction from the fiscal 1980 budget, economies and efficiencies, which result from the legislation, and the productivity increases that that agency has been able to achieve.

This agency, without any mandate from outside, has been reducing its budget by an 11-percent compounded rate over the last 3 years. I would expect that rate to continue. We have some real uncertainties which make it very difficult to determine what the appropriate level of staffing would be in fiscal 1983.

As part of the implementation of the Motor Carrier Act, the Commission went forward with a number of rulemakings and has issued final rules in several of these and has begun to act on them in adjudication. Some of these rulemakings are now before the courts for review. The outcome of these court tests will greatly determine the ability of the Commission, for instance, to give broad geographical and commodity designations. I believe, and others I am informed think it likely, that the court tests will influence the rate of protest of applications and the amount of staff involvement in these activities.

Until we are certain about what the outcomes in these particular court proceedings are going to be, I think it would be foolhardy to reduce below the 1,600 level. It gives us no degree of safety whatsoever. It really threatens to jeopardize our statutory obligations, even under the liberalized 1980 Motor Carrier Act, to actually review and process each application that comes in to us to see that it meets at a minimum a threshold test.

There is some argument that we only reject something like 1 percent of the applications that come before us and that we are spending something like $27 million to reject that 1 percent. But that is really off the mark.

What is going on is that we are getting before the Commission some 40,000 emergency and temporary authorities a year. We are also getting some 25,000 permanent applications. What the expenditures represent is the discharge of our obligation under the law to review each of those applications, seeing that they meet the test, publishing them in the Federal Register and, where there are protests, adjudicating those protests.

You can't really separate them out like that. It is like saying somebody has a $1,000 a year food bill but is really spending $1,000 to have his hair grow, ignoring the fact that the whole body participates in the nutrition from it.

Senator ANDREWS. I was one of those handful of Members of Congress who voted against the deregulation bill last year. I thought that with deregulation we were going to have less need for the ICC. That is one of the intriguing problems.

Mr. ALEXIS. This is a smaller ICC. The projected Commission is smaller than the Commission of a year ago. My estimate is that in 1983 the Commission will be even smaller. Depending on the outcome of these court proceedings, the Commission can be expected to decline over the next 2 or 3 years.

So I would say that your expectation or prediction that the Commission would be indeed smaller and would command fewer resources is a correct one.

Senator ANDREWS. Mr. Trantum?

Mr. TRANTUM. I would like to make two points, just to clarify my position.

First of all, with respect to the Office of Consumer Protection, I would not entirely eliminate enforcement and compliance. In fact, my proposal would leave 75 people, whereas, under the majority's proposal we would have 280.

Just to clarify what that means, and I want to make sure you understand this, even the Commission directors with the exception of one agree that they can fully comply with the statutory obligations at 1,000.

Now, under the proposed budget the Office of Consumer Protection would have 491 positions. The Director of the Office of Consumer Protection indicates that to just comply with the statute he would require only 90 people. That 90 compares to the 491 he would have.

Under my proposal, I would suggest that he have 210 positions. So even in that particular office I would be well ahead of what the director proposes he would need to meet minimum statutory requirements.

FUEL SURCHARGE

Senator ANDREWS. Mr. Chairman, what is the current status of the fuel surcharge issue and what proposed changes are you considering?

Mr. ALEXIS. The fuel surcharge situation remains essentially as it has been for the past 20 months or so. Beginning in 1973, the first time that there was a problem with the owner-operators and the independent truckers, the Commission embarked on a program which was later aban-

doned. But in 1979, after the fall of the Shah and the escalation again in world oil prices and particularly of diesel prices at the pump, the Commission embarked on a program of fuel surcharging. This program takes readings on a sample of pumps and publishes an index of the diesel prices each week, requiring that the users of owner-operators pass on to them a payment equal to the percentage that was published by the Commission.

Where we are today is that we have sent out a set of proposed rules and a series of questions asking for comments on them. This is in an ex parte 311 rulemaking. We have received comments from the public which are being analyzed by the staff. We will then write a decision and hope to get a majority to concur in that decision.

We have some related problems in that context. One of the problems is that if this fuel surcharge were to be eliminated or revised, how would that take place? How could you integrate the surcharge into the rate structure? The owner-operators, many of them at any rate, feel strongly that the fuel surcharge is an essential part of their earnings and have begun to count on it as part of the rates.

It is now such a high number, 19 percent, that it no longer simply represents an extra payment for some unexpected increases in the cost of fuel, but represents a major component of the rates themselves.

It also is not a temporary thing. We do not expect, and I don't know of anyone who is reasonably familiar with the fuel situation who does expects to have a sudden decrease in fuel prices and to have the fuel surcharge move in the other direction.

Coupled with that is the economic plight and the bargaining position of owner-operators which are all wrapped up in their relationship with the carriers for whom they work or who serve as agents. The question of how to properly and equitably deal with a transition from the present program to another program encompasses other questions which are also before the Commission and which may have to be resolved simultaneously with the question of the surcharge.

I am talking about such questions as how to handle the leasing of vehicles of the owner-operators to private carriers and to certificated carriers. We have not dealt with any of these issues. The Commission will have to face them at some point.

SUBMITTED QUESTIONS

Senator ANDREWS. Mr. Chairman, I have a series of questions that would like to have answered for the record.

I also have some questions submitted by Senator McClure and son from Senator Chiles to be answered for the record.

Mr. ALEXIS. we will be delighted to respond.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

OPERATING AUTHORITY BACKLOG

Senator Andrews: You mentioned in your testimony that you have been successful at attacking your backlog problem in applications for motor carrier operating authority. Does this mean that you now have no backlog at all? On the average, how long does the process now take in comparison with applications filed in 1979?

Response: The backlog of motor carrier authority applications has decreased to a manageable level. A year ago, we had 23,500 applications pending at various stages of the process; that total increased to a high-water mark of over 26,000 applications in June of 1980. The backlog elimination program has reduced the pending caseload to just over 14,000 applications as of January 1981.

The median elapsed time from the filing of an application to the issuance of a certificate as of January 1980 (i.e., for applications filed in 1979, or before) was 375 days. That figure climbed to over 400 days as of April 1980. By January 1981 the median elapsed time had declined to 240 days.

The Commission has, with rare exception, issued decisions in all motor carrier cases filed under the Motor Carrier Act of 1980 within the 180 day statutory deadline. Some backlog in the actual issuance of certificates following decision has remained, however. As of October 1980 there were almost 9000 certificates awaiting service. By January 1981 that number had been reduced to below 5000 certificates, and, as of March 15, 1981, the total number of applications awaiting certification was down to 3200.

Unopposed cases are processed more promptly than opposed cases. The increasing rate of unopposed cases (in January 1981 approximately 81 percent of the cases were unopposed compared with only 70 percent in January 1980) also helps eliminate the backlog. By April 1981 we expect to process applications within 120 days of the date of filing in unopposed cases (barring further appeals in individual cases).

BUS DEREGULATION

Senator Andrews: It is my understanding that you have submitted to the Congress a proposal regarding bus deregulation. What are your views on this issue particularly with respect to entry, exit, rate bureaus, and Federal preemption?

Response: For entry into the bus industry, we propose using the same standard enacted for the trucking industry by the Motor Carrier Act of 1980. If an application is not contested, the Commission will examine the applicant's fitness and whether a public need has been shown for the new service. In contested cases, the burden of proof would be on protestants to show the proposed service is inconsistent with the public convenience and necessity. For charter and special services, the Commission proposes using only the fitness test.

Under the proposal, gateway, circuitous routing, and intermediate-point restrictions such as closed door restrictions would, among others, be removed from bus operating authorities. Closed door restrictions prohibit a company from picking up or dropping off passengers at intermediate points. Often they occur because a carrier cannot get intrastate authority.

The Commission also proposes that Congress establish a zone of rate freedom for the bus industry. We believe that greater rate flexibility should lead to a greater use of peak-load pricing and discount rates. In addition, we suggest limiting bus rate bureau

antitrust immunity. In particular, discussion and collective voting on single-line rates would be eliminated on January 1, 1982.

Another key element of the bus reform proposal is the exit provision. Interstate bus companies would be allowed to stop serving unprofitable routes after giving adequate notice of the proposed service discontinuance to all affected authorities and affected communities. States would be prohibited from requiring the company to continue intrastate service that is part of the proposed interstate discontinuance. The procedure would afford communities the opportunity to seek or provide a subsidy for the service or encourage alternative service. The Commission would have the power to stop the discontinuance if the company did not comply with these provisions.

MOTOR CARRIER ACT OF 1980

Senator Andrews: What has been the impact of the Motor Carrier Act of 1980 on rural areas and small towns? Has there been a trend toward concentration in the industry?

Response: In March 1980, the Commission's Office of Policy and Analysis published a study on service to small communities. The study maintained that because service to small communities was not unprofitable, regulatory reform should not result in service shortages in small community markets. These findings, in turn, supported the conclusion that maintaining the traditional regulatory structure of restricted entry and pricing as an economic development tool for small communities would be both impractical and unwise.

In section 28 of the Motor Carrier Act of 1980, the Congress mandated a thorough investigation of service to small communities. While the section of the Act requires a number of separate investigations (currently ongoing in OPA), the central focus of the study is a shipper survey--a questionnaire mailed to some 500 randomly selected businesses in small communities throughout the United States. A preliminary hand tabulation of questionnaires from all regions of the country confirms the findings in OPA's March 1980 study: neither small community market failures nor short run disruptions in service have occurred. This analysis is based on questions that address on-time performance, service availability, service options, freight loss and damage, shifts to or from private and for-hire service, and carrier entry/exit. All questions addressed service during the six months since passage of the Act.

The number of applications filed by new carriers has increased since the passage of the Act. During the first 8 months after passage of the Act, 1182 applications were filed by carriers and brokers seeking their initial authority, while during the same 8-month period in the previous year only 808 such applications were filed. During these same two periods of time, the number of expansion applications filed by existing carriers and brokers decreased from 11,834 to 11,149. Therefore, the initial impact of the Act appears to be towards greater diversification in the industry rather than concentration.

CONRAIL

Senator Andrews: What authority does the ICC have in regard to Conrail? What comparisons have you made between the labor costs associated with Conrail operations versus those incurred by other railroads?

Response: The ICC's regulatory authority over Conrail is the same as our authority over any other common carrier railroad. Applicable statutes and regulations governing rates, service problems, statistical reporting, abandonments, etc., apply with

equal force to Conrail. The ICC has no authority in the Federal funding of Conrail.

We have compared Conrail's labor costs with the average for all other U.S. Class I railroads for 1979, the latest year for which a full year of data is available. In 1979, Conrail's freight labor operating ratio (freight labor expenses as a percentage of freight revenues) was much higher than the average for all other U.S. Class I railroads (61.5% vs. 49.3%).

Conrail's freight labor ratio for maintenance of way was much higher than the U.S. average (12.5% vs. 9.6%). However, the high maintenance of way labor ratio is probably a result of rehabilitation programs.

In particular we found that Conrail's 1979 freight labor expenses for train and yard operations were much higher than the average for all other U.S. Class I railroads (33.1% vs. 24.4%). If Conrail had achieved the U.S. average freight labor operating ratio for train and yard operations only, Conrail's labor expenses would have been reduced by $273 million in 1979.

The Commission's Office of Policy and Analysis is presently studying potential opportunities for reducing Conrail's high labor ratios. The study will be released by May 1.

DEREGULATION

Senator Andrews: In general terms, where do you think deregulation is going and how will that translate to ICC activities?

Response: The entire thrust of regulatory reform has been to increase the amount of competition in the motor carrier and rail industries. All of our implementation activities under the Motor Carrier Act and the Staggers Act have been intended to further this thrust.

With specific respect to rail deregulation, the Commission will be adjudicating far fewer rate cases. The Staggers Act gives rail carriers much greater flexibility to set rates free of ICC regulation. In an effort to assure that such rates will be set competitively, the Commission has already significantly changed the permissible practices of rail rate bureaus. We will carefully monitor rate bureau activities and make additional changes, as needed, to assure that the competition on which Congress relied, in freeing many rail rates from regulation, will actively exist intramodally. This process will, of course, be enhanced by a much freer entry policy in the motor carrier industry. Recent data show that motor carriers can and do compete effectively with rail carriers in both price and service, for even very long hauls. Thus, the entry and pricing freedom afforded by the Motor Carrier Act helps to assure that the freedoms accorded railroads under the Staggers Act will not and cannot be abused.

In other rail areas, we will be focusing on finding goods and services appropriate for exemption. In exempting such goods and services, we will again rely on pervasive motor carrier and, to some degree, water carrier competition.

In sum, rail activities will be reduced and those activities remaining focused on monitoring the effects of reform and assuring that maximum intermodal and intramodal competition exist so that the greater freedoms accorded by deregulation work for the benefit of the shipping and consuming public.

In the motor area specifically, enough time has elapsed since passage of the Act for several clear trends to have developed. There has been a continuing increase in the number of permanent authority applications, and those applications typically request more broadly defined operating authority. In addition, large

numbers of carriers have been taking advantage of the operating restriction removal provisions of the Act, and over 500 firms have notified the Commission that they intend to engage in compensated intercorporate hauling. However, once existing carriers have obtained broad and unencumbered authority and the initial wave of new entry is completed this increased level of filing activity is likely to slacken. Thus, while the Act has increased the ICC's application processing activity in the short run, it should reduce it in the long run.

Recent months have also seen an increase in the number of independent rate actions taken by carriers. Some of this may be rate cutting caused by the general economic downturn, but some appears to be due to the liberalized entry provisions and competitive emphasis of the Act.

RAILROAD MERGER POLICY

Senator Andrews: Please summarize your recently adopted policy with regard to major railroad mergers.

Response: The Commission has not made significant changes in its rail merger policy. The Commission recently clarified its position in a policy statement issued February 2, 1981. This statement reflects the Staggers Act's increased emphasis on competition and the Commission's policy on conditions and other issues raised and decided in recent merger cases. The policies are thus predicated on Staggers Act requirements and policy decisions that had been debated and resolved in earlier cases.

Our general view about the benefits of mergers is that many of the goals of a merger can now be obtained without merger. Rate flexibility, contracts, and greater use of bilateral agreements, as well as greater freedom to change joint rates, are all made possible by the Staggers Act. However, some benefits are obtainable only with a unified management. Single-line service, for example, is often preferred by shippers, as well as by the carriers themselves. We are making active efforts to assure that the records in pending merger cases fully address these issues.

Finally, we note that today, as in the past, mergers tend to lead to other mergers. The Commission has, however, made it clear that proposed mergers will not be automatically approved. The optimal size of any potential system is in the first instance a matter for the parties' business judgment, but is also a public interest issue that the Commission will resolve on a case-by-case basis.

OPERATING AUTHORITY STANDARDS FOR THE BUS INDUSTRY

Senator Andrews: Many bus operators have indicated that the ICC has considerably diluted the present standards of public convenience and necessity. Have you denied an application for regular route authority in the last year?

Response: Historically, the controlling standard for all motor common carrier applications was that the proposed service must be "required by the present or future public convenience and necessity." Early in the course of motor carrier regulation the Commission set forth its construction of this term in Pan-American Bus Lines Operation, 1 M.C.C. 190, 203 (1936):

> The question, in substance, is whether the new operation or service will serve a useful public purpose, responsive to a public demand or need; whether this purpose can and will be served as well by existing lines or carriers; and whether it can be served by applicant with the new operation or service proposed without

endangering or impairing the operations of existing carriers contrary to the public interest.

About a year prior to passage of the Motor Carrier Act of 1980, the Commission had liberalized its entry standards for property and passenger carriers. In Ex Parte No. MC-121, Policy Statement on Motor Carrier Regulation, 44 Fed. Reg. 60296 (1979), the Commission determined that adequacy of existing service should no longer be a factor in considering applications. This removed a major evidentiary burden from applicants. Instead, the focus of inquiry became whether a grant of the application would harm the existing carriers in such a way that the public interest would be harmed.

During 1980 the Commission denied one regular route passenger application on the grounds that the application was not fit to perform the service. Additionally, a second carrier was issued a certificate with a limited term, since there were questions regarding its fitness. It may be noted that the lack of denials may, in part, reflect the nature of the bus industry. Most regular route operations are not seen as profitable; hence, there are few regular route applications. Generally, the significant regular route applications that are filed become a private contest between the two largest motor carriers of passengers. There is also some feeling in the industry that regional carriers are afraid to apply for potentially profitable regular routes out of a fear of retaliation by the largest carriers, upon whom they depend for feeder traffic.

INTRASTATE RAIL RATES

Senator Andrews: Section 214 of the Staggers Act as well as your bus deregulation proposal requires the states to submit standards and procedures to the ICC with respect to intrastate rates. How does the ICC plan to monitor these rates to insure that they will be fair, just, and equitable?

Response: Staggers Act. The Staggers Act provides that states may exercise jurisdiction over intrastate rail rates only in accordance with the provisions of the Interstate Commerce Act as amended by the 4R and Staggers Acts. The new law also prohibits exercise of jurisdiction by states over general rate increases, inflation based rate increases or fuel adjustment surcharges permitted by statute or authorized by the Commission. Each state must submit for ICC approval standards and procedures consistent with these legislative requirements. This process must be repeated every five years. That process is underway now. As a general matter, we expect to respond to complaints by railroads or shippers indicating a belief that these procedures are being violated. At the present time, we do not contemplate initiating major monitoring activities though we would expect to randomly investigate rates to ensure that even those that have not evoked complaints are, nevertheless, fair and reasonable to the degree that such rates fall within our now limited rate jurisdiction at all.

Bus Deregulation. In Section 15 of the Commission's proposed bus legislation package, we propose to modify the sections of the Interstate Commerce Act amended by Section 214 of the Staggers Act so that these sections would apply to motor carriers of passengers as well as to railroads. This is Congress' most recent expression of how it wishes to treat the relationship between interstate and intrastate regulation. Since we believe that problems in this area with respect to both rail and motor carriers of passengers are essentially of the same nature, this solution seems most appropriate.

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Under the provisions of Section 15 of "The Motor Bus Act of 1981," it is not the intent of the Commission to monitor intrastate rates and fares.

Rather, we propose that states exercise all intrastate economic regulatory functions, subject to (a) certification by the Commission that the state standards and procedures for intrastate regulation are compatible with Federal regulations and National Transportation Policy; and (b) preemptive action by the Commission if (1) the state standards and procedures are not certified by the Commission; or (2) if a state does not act on a timely basis (i.e., within 120 days) upon a rate or fare filed by a carrier that adjusts the rate or fare to the rate or fare charged on similar traffic moving in interstate or foreign commerce, or (3) if a carrier petitions the Commission to review a rate or fare decision by the state authority on the grounds that the standards and procedures applied by the state are not in accordance with the provisions of the Act.

MOTOR CARRIER SINGLE-LINE RATES

Senator Andrews: The recent Motor Carrier Act of 1980 provided for the elimination of discussion and voting on single-line rates after January 1, 1984; yet your recent proposal on bus deregulation provides for the elimination of antitrust immunity for single-line rates in the bus industry after January 1, 1982. Why this distinction between the treatment of motor carriers of freight and motor carriers of passengers?

Response: Our response to this question is taken from the Commission's section-by-section analysis of our proposed bus legislation. We state (beginning on p.15), "In general, we believe that the justification for changes in the rate bureau system applicable to motor carriers of property apply as well to motor carriers of passengers. However, the reasons for the substantial delay in implementation of the provisions of Section 14 of the Motor Carrier Act do not appear to apply to passenger carriers. This is so for several reasons. First, it is clear there is a more immediate need to foster and enhance competiton in the bus industry than in the trucking industry. The bus industry has one rate bureau which is significantly controlled, if not dominated, by Greyhound and Trailways, and the market as a whole is dominated by those two carriers-Greyhound having approximately 60 percent of the Class 1 intercity revenues, and Trailways another 24 percent. We do not believe there is any public purpose served by allowing Greyhound and Trailways to mutually decide on rates they charge between points where they compete with each other on single-line traffic. Moreover, the uncertainties caused by the multiplicity of rate bureaus and the vast number of carriers, which are potential problems in the trucking area, are simply not present in the bus industry. On balance, the relative simplicity of the situation and the dominance of one or two carriers in the industry, together, provide a substantial justification for prohibiting discussion and voting on single-line rates as soon as possible. Nor does it appear that the study mandated by the Motor Carrier Act is necessary in the area of bus regulation-the problem is simpler, and the answer is clearer, and the need for more rapid action is evident."

RAIL SUBSIDIES

Senator Andrews: Does the ICC, as a result of the rail task force recommendations, plan to discourage rail carriers from cross-subsidizing some services and commodities? Would this involve direct intervention in the differential price structure of rail rates? Does this mean that rate levels in the items and services being cross-subsidized will be raised to an average cost level? If so, would this not result in traffic diversion and increased average costs for the remaining traffic?

Response: For those rates subject to its jurisdiction, the Commission considers a rate reasonable if it does not exceed the cost of providing the service, including a return on investment equal to the cost of capital. Since such a method does not include costs associated with other services, no cross-subsidizing occurs. Further, under the Commission's opportunity cost rules used in abandonment proceedings, railroads have strong incentives to identify and abandon all lines that require cross-subsidy (that is, those not producing revenues sufficient to cover the cost of operations on the line).

Even without cross-subsidy, there may still be a differential structure of rail rates. Some of a rail firm's costs vary directly with the level of a particular service, and can be allocated accordingly; other costs are shared by two or more services and cannot in any precise way be allocated directly to one service on a per unit basis. These shared or common costs are allocated among rail users in a way that reflects the importance of rail service to each user. This form of differential pricing allows the railroads to recover all costs, including those that are common, while not mandating rate increases that result in traffic diversion.

RAIL MERGERS AND TRAFFIC PROTECTIVE CONDITIONS

Senator Andrews: In the Grand Trunk Western -- Detroit Toledo and Ironton merger case, ICC decided against requiring protective conditions for other railroads. Does this case mean that protection of other railroads from merger's competitive impact becomes a secondary consideration?

Response: In the DT&I merger case, we approved the acquisition by one relatively small railroad -- the Grand Trunk Western -- of another relatively small railroad -- the Detroit Toledo and Ironton. We refused to impose traffic protective conditions protecting other railroads for several reasons. First, the conditions themselves tend to inhibit competition. They have been interpreted to mean that the merged carrier is simply prohibited from lowering rates on its new single line service without also lowering rates on joint line service in which it participates. As a result, it is impossible for single system efficiencies created by the merger to be reflected in rail rates. Second, as we have pointed out in our recent general policy statement*/, any condition is likely to lessen the benefits of a consolidation to both the carrier and the public -- in part because the conditions prevent the full implementation of single service efficiencies. Finally, in the DT&I case, it did not seem necessary to protect major carriers such as the Chessie System, Norfolk & Western, and Conrail from the competition of the combined GTW-DT&I system which, even after merger, would be relatively small.

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*/ Ex Parte No. 282 (Sub-No. 6) Railroad Consolidation Procedures, General Policy Statement, 363 I.C.C. 784, 792 (1981).

The DT&I case -- and our other recent consolidation decisions -- reflect the Commission's view that its job in consolidation cases, as set forth by the applicable law, is to determine whether a consolidation is in the public interest. We do not believe it is in the public interest to protect carriers from fair competiton, nor do we believe a carrier is somehow entitled to the traffic it has previously had without regard to that carrier's ability to supply quality service to shippers at a reasonable rate. It is our policy, as fully set forth in our policy statement, to impose conditions to protect a carrier only where that carrier shows that the public has an interest, such as the preservation of competition or prevention of harm to essential service, in giving the carrier protection.

RAIL DEPRECIATION AND ASSET VALUATION

Senator Andrews: The Bureau of Accounts is reviewing depreciation rates and is to prescribe new rates as required. This raises the question of valuation of the railroad's assets and the related question of how important historical value of assets is to be a determination of adequate rate of return. Please explain what the review of depreciation rates means and its relationship with the determination of rate of return. How does the presence on the balance sheet of a book investment that has no earnings potential affect the determination of an adequate rate of return?

Response: The review of depreciation rates means two things. First, a review will determine that operating expenses due to depreciation of investment are in accordance with the principles of capital recovery as prescribed by the Interstate Commerce Act. The proper level of expense determines the proper cost of service and therefore impacts significantly on net railway operating income.

Second, railroads are not entitled to earn a rate of return on investment which has been recovered through operating (depreciation) expense. For this reason, the accumulation of depreciation charges (depreciation reserve) is subtracted from total investment to arrive at the net investment base.

Since a rate of return is the ratio of net railway operating income to the net investment base, the relationship of the depreciation review and an adequate rate of return becomes apparent as depreciation is a significant noncash component of both factors in the rate of return. This relationship prevails whether historical cost or replacement cost is used as an investment base because the replacement cost rate base is dependent upon either 1) historical cost indexed to replacement cost or 2) physical units established on a historical cost basis priced at current unit cost levels.

The last part of the question asks what effect book investments having no earnings potential have on the determination of an adequate rate of return. Under present rules the original cost, or depreciated cost, of such properties remain in the rate base until their abandonment is authorized by the Commission. In Ex Parte 393 the Commission is studying whether these properties should be reduced to net liquidation value for rate base purposes.

BETTERMENT VERSUS DEPRECIATION ACCOUNTING

Senator Andrews: The ICC is contemplating shifting from betterment to depreciation accounting for track and related structures. What impact would such a change have on cash flow, rate of return, net investment, and determination of adequacy of revenue? Are any specific changes currently being proposed?

Response: The Bureau of Accounts has developed a proposal which would adopt ratable depreciation for track assets. The objectives in changing methods of accounting for track structure are to recognize the loss in economic service potential resulting from the use of track assets, to improve the quality of reported earnings through better matching of revenues and expenses and to make financial reports comparable with other industries.

A shift by the Commission from betterment accounting to ratable depreciation accounting for track and related structures would have an impact on cash flow, net railway operating income, net investment, and rate of return on investment. The extent to which each will be affected can only be estimated at this time.

Under present Federal income tax regulations there would be no impact on cash flow from a Federal income tax standpoint.

Some States use net railway operating income in their formulas to compute railroad property valuation. Since net railway operating income would increase there may be an increase in State taxes which would reduce cash flow.

Since reported earnings would increase there exists a potential reduction in net cash flow because stockholders and labor unions might request higher dividends and increased wages. However, impact could be somewhat diminished because of additional disclosures on the impact of inflation. Stockholders and labor unions would see the effect in real terms and not just in terms of the historical value of assets.

Our studies indicate earnings and net investment would both increase under ratable depreciation of track assets. The extent to which each will increase depends on the operations of each individual railroad. We cannot accurately determine the impact until ratable depreciation accounting for track assets is adopted.

OFFICE OF SPECIAL COUNSEL FUNCTIONS

Senator Andrews: Please describe the functions performed by the Office of Special Counsel. What is the specific need for this office? Isn't the entire ICC supposed to consider and protect the public interest through the proceedings process?

Response: The Office of Special Counsel's principal mission is to contribute to a public interest record in Commission proceedings. OSC engages in outreach programs to assist participation by public parties who might not otherwise make their views known in the administrative process (e.g., consumer groups, public and community representatives, small shippers or carriers, owner-operators, concerned individuals), and also participates as a formal party in order to contribute to a balanced record in appropriate proceedings. The Commission's duty is to render decisions in the public interest based on the record, and the Special Counsel seeks to ensure that the record will be balanced with appropriate comments from a public viewpoint, not dominated by the industries regulated by the agency.

COMMISSION USE OF ATTORNEY AND PARALEGAL STAFF

Senator Andrews: Please provide more detail on your efforts to replace lawyers with paralegals at the ICC. What percentage of lawyers are you planning on replacing and do you anticipate any reduction in the quality of work performed by the paralegal replacements?

Response: The program to replace attorneys with paralegal employees will occur primarily in the Office of Proceedings, which

handles the Commission's caseload. At present, the staff is about 85 percent attorneys and 15 percent paralegals. Our plan eventually is to have a professional staff with about 60 percent paralegals and 40 percent attorneys.

No decrease in work quality should result. As the Commission implements the new legislation, particularly the Motor Carrier Act of 1980, the decisional ground rules are becoming more clearly established. There will continue to be important or difficult cases, of course, but the number of routine matters should increase over time. From our early experience, it is not difficult to screen work and assign these less difficult cases to paralegal employees. All paralegal employees will, moreover, be closely supervised by an attorney branch chief.

STAFF CEILING REDUCTION

Senator Andrews: According to your February 7, 1981 count of "on-board" employees, you have 196 more employees than the revised FY '82 budget ceiling allows. Setting the issue of specific allocations aside, how do you intend to be within the limits of that ceiling by October 1, 1982?

Response: The ceiling of 1600 should be achieved through attrition, out-placement and retirement by the end of fiscal year 1982.

EFFECTS OF THE MOTOR CARRIER ACT OF 1980

Senator Andrews: Please highlight the effect, as you see it, that the Motor Carrier Act of 1980 has had on the efficiency of our national transportation system and identify the related problems which have resulted from the Act's passage, if any exist. What has been the impact on the financial condition of Class I, II, and III carriers? Has there been a tendency toward concentration in the industry? What has been the impact on fuel savings? What has been the impact on service to small towns? How many new entrants and departures from business have occurred?

Response: The Motor Carrier Act of 1980 has made it significantly easier for new trucking companies to enter the regulated motor carrier industry and for existing companies to expand their operations. The new general entry provision has switched the burden of proof in applications from the applicant to the protestant. It has also removed the limitation on the number of shippers or class of shippers a contract carrier may serve.

The Act expands the areas of transportation exempt from Commission regulation. It designates certain types of transportation for which an applicant need only show that it is fit, willing, and able to provide service. The Act contains a restriction removal provision which allows existing carriers to remove restrictions or limitations in their existing authorities and, thereby, expand quickly into complementary areas of service. It also removes restrictions on intercorporate hauling operations for compensation with the exception of certain notice requirements, provided the parent company owns 100 percent interest in the subsidiary.

Finally, the Act imposes strict deadlines for Commission action on motor carrier applications and streamlines the appeal process.

In summary, the Act provides increasing opportunities for new and existing carriers to obtain operating authorities in a reasonable period of time, allows existing carriers to expand quickly into complementary service areas, and expands the types of motor transportation exempt from Commission regulation. These

reforms were designed, and will increasingly serve, to improve the efficiency of our national surface transportation system.

The drop in reported rates of return for the trucking industry in recent years represents a cyclical decline from which the industry will recover as the economy in general begins to recover. Tonnage dropped more sharply during this recent recession than in any in recent memory and therefore a drop in profits was unavoidable. However, what is encouraging and the best test of the effect of regulatory reform on rate of return, is the carriers' performance relative to earlier recessions.

Data from motor carrier annual reports, compiled in Trinc's Blue Book of the Trucking Industry, reveals that the return on equity (ROE) for all Class I and Class II motor carriers went from 19.3 percent in 1978 to 14.9 percent in 1979, and the ROE for all Class I and II general freight carriers went from 18.8 percent to 14 percent over that period. Other Commission data shows a greater decline for two narrower categories of trucking firms. The ROE of all Class I general freight carriers fell from 19.8 percent in 1978 to 12.9 percent in 1979, and the ROE for the 100 largest motor carriers fell from 18.82 percent to 12.54 percent over the same period. This reflects the fact that in the more relaxed regulatory climate of 1979 small carriers did better than the largest 100.

The most recent available Commission data are for 3rd Quarter 1980 and relate only to the top 100 carriers. For these carriers, ROE never dropped below 12.5 percent and is currently 13.8 percent. Rates of return for motor carriers for the third and fourth quarters of 1980 include an extraordinary charge for the loss of the value of operating rights. Such a loss is a one time event, and is not an indication of future financial ill health. The 13.8 percent figure is for the latest four quarters, excluding the loss of certificate value. It is calculated this way to average out short-run variations that are less meaningful. Using individual quarters yields a similar conclusion as does data compiled on 225 carriers by the American Trucking Association. By comparison, ROE dropped to 8.8 percent during the 1975 recession.

Analysis of fluctuations in motor carrier operating statistics and financial indicators over several business cycles suggests that while tonnage carried varies significantly over the cycle, there is relative stability in the trucking industry's profit figures. The cost flexibility of trucking firms is the main reason for these differences. The number of employees, the number of vehicle miles, and the amount of purchased transportation are all adjusted downward to meet declines in needed capacity. Thus, costs decline when revenues decline so that rates of return decline much less.

The trucking industry seems to be healthy and performing in the face of economic downturn far better than many other industries. It appears that regulatory reform, far from harming the industry, has allowed the industry to remain healthy in the face of national economic downturn.

Since passage of the Act, the number of applications filed by new carriers has increased. During the first 8 months under the Act, 1182 applications were filed by carriers and brokers seeking their initial authority as opposed to 808 such applications filed during the same 8 month period in the year prior to passage of the Act. During the same two time periods, the number of expansion applications filed by existing carriers and brokers decreased from 11,834 to 11,149. Therefore, the tendency in the industry seems to be towards slightly greater diversification rather than concentration since passage of the Act.

The Act contains several provisions designed to reduce fuel-wasting practices by carriers. Specifically, it allows carriers to use any route to operate between their authorized service points, thus eliminating the need to travel through out-of-the-way points or gateways; to obtain round-trip authority where they now hold one-way authority, thereby eliminating empty backhauls; and to serve intermediate points along their authorized routes. The Act also replaces limited commodity and narrow territorial authority descriptions with broad descriptions. The Commission expects carriers to realize significant fuel savings as a result of these provisions, but it is difficult and costly to measure them. At present, there is no data available.

Other parts of the Act give carriers further efficiency incentives and opportunities to balance their loads and increase load factors. The liberalized entry policy allows carriers to expand their authority and make the most efficient use of their fleet, but at the same time increases the threat of new competitors whenever needless inefficiencies appear. New pricing freedom under the Act allows carriers to adopt pricing stategies to increase load factors by selectively reducing prices where they know their trucks are less likely to be full. Many carriers are already taking advantage of this . Increased operating efficiency should also result in increased fuel savings.

The Commission is currently considering options for reducing the inequities of the fuel surcharge program. It is our intent to find better and more efficient ways to encourage fuel savings and fairly distribute the burden of rising fuel costs.

In March 1980, the Commission's Office of Policy and Analysis published a study on service to small communities. The study maintained that because service to small communities was not unprofitable, regulatory reform should not result in service shortages in small community markets.

In section 28 of the Motor Carrier Act of 1980, the Congress mandated a thorough investigation of service to small communities. While that section of the Act requires a number of separate investigations which are currenty in progress, the central focus of the study is a shipper survey in the form of a questionnaire mailed to some 500 randomly selected businesses in small communities throughout the United States. A preliminary hand tabulation of questionnaires from all regions of the country confirms the findings in our March 1980 study: neither small community market failures nor short run disruptions in service have occurred as a result of the Act. This analysis is based on questions that address on-time performance, service availability, service options, freight loss and damage, shifts to or from private and for-hire service, and carrier entry/exit. All questions addressed service during the six months since passage of the Act. Upon completion, the results of the entire study will be provided to the Congress.

COSTING METHODOLOGY FOR RAIL RATES

Senator Andrews: I understand that you are still developing information and a new costing methodology to better judge rates. The railroads seem to believe that much more information will be required of them to be used in the new methodology. This appears to result in additional regulatory burdens, rather than fewer as the 4R Act intended, on the railroads. Why has it taken almost five years to develop this methodology? What is the status of the new costing methodology? How will it help allocation of common and joint costs? What has the ICC done in Ex Parte 355?

Response: All of the data necessary to run the new Uniform Rail Costing System (URCS) has been available since the railroads first reported under the new Uniform System of Accounts for calendar year 1978. No additional data is required.

The Railroads may be referring to the statistical regression analysis used in URCS to determine the variable cost of service. It is not essential for railroads to perform these complex regression studies unless they take exception to the studies which we are now performing and will continue to perform every year.

The development of URSC began in August 1976. From that date until July 1977, the Commission's Bureau of Accounts revised its accounting system and concurrently designed the costing system. The first draft of URCS was completed December 1977. During 1978, that draft was revised and completed. In March 1979, the Commission received the first data reported by railroads. The data was carefully scrutinized for "first year errors". Correspondence with the carriers was completed and the data was available for URCS in January 1980. During 1979, while the data was being purified, URCS was programmed for machine processing. During 1980 and 1981 we have been performing the very complex regression analyses mentioned above.

Common and joint costs are defined as follows: common costs are those costs which are incurred for the benefit of all production or traffic output such as general office expenses. Joint costs are those costs which are caused by two or more commodities, sources, or traffic segments, but which cannot be assigned to each except by some allocation system. In the railroad industry the vast majority of all expenses are joint expenses. For example, car repair expenses are joint to all shipments that move in a car during the year; track maintenance expenses are joint to all traffic that moves over that track; train crew wages, fuel and other train expenses are joint to all cars moving in a particular train.

URCS, as did its predecessor Rail Form A, assigns these joint and common expenses on the basis of the units of services required by each shipment, such as car miles, gross ton-miles, cars switched, shipments billed, tons handled, etc.

However, in particular proceedings, the Commission may or may not accept the URCS' allocations of joint and common costs described above. In these proceedings, the Commission may consider it appropriate to exclude some or all of the joint and common cost depending upon the circumstances of the (proceeding) situation before it.

The Commission indicated its intent to publish guidelines for cost standards to be used in minimum rate proceedings in its Notice of Proposed Rulemaking, served October 10, 1978, under Ex Parte No. 355. Public comment was invited on the issues at that time. After analyzing the comments of interested parties, the Commission, by decision served July 9, 1980, at 362 I.C.C. 800, proposed guidelines based on its new interpretation of the minimum rate provisions found at 49 U.S.C. 10701. Comments were due November 19, 1980. Subsequently, the minimum rate provisions were amended by Section 201 of the Staggers Rail Act of 1980, P.L. 96-448.

The comments of interested parties have been received and are under review. The statutory deadline for the Commission's decision in this proceeding is September 24, 1981.

In summary, URCS was begun in 1976. Data necessary to its application was not available until early 1980. Since that time we have been performing a complex statistical analysis to determine the variable cost level. The importance which the Staggers Act places upon variable costs makes it imperative that the final regression analysis be thorough and defensible.

We plan to complete the regression analysis in April 1981, and at that time to derive regional unit costs for calendar year 1979. These will be offered for informal public comments. Those comments will be evaluated and critical changes incorporated in URCS. Final 1979 regional cost studies are scheduled for release in August 1981, at which time URCS will replace Rail Form A.

GAO REPORT ON MOTOR CARRIER VIOLATIONS

Senator Andrews: In a May 1980 report on the ICC's enforcement program, the GAO recommended that Congress "make civil penalties applicable to all types of motor carrier violations as well as to shippers and others that aid and abet these violations". It also recommends that Congress "establish a minimum civil penalty for motor carrier violations and increase the maximum penalty". Do you agree with these recommendations and in what way do you think these actions could benefit your enforcement program?

Response: GAO's May 1980 recommendations for legislation that would extend civil penalties to all types of motor carrier violations (including participating shippers) and set the dollar amount of such penalties at realistic levels merit support.

The existence of a civil penalty provision enables the ICC enforcement attorney to negotiate an appropriate penalty with the subject carrier under the Federal Claims Collection Act of 1966 (31 U.S.C. 951 et seq.). The negotiated civil penalty keeps the dispute out of the federal courts--which have been burdened with congested civil and criminal dockets for several years. Where only a criminal penalty is provided for the violation, the case must be referred to the U.S. Attorney for prosecution. All too often the Assistant U.S. Attorneys are overworked; Interstate Commerce Act violations may not be high on their list of priorities; and also, case referrals from the ICC involve issues that seem unduly complex to Assistant U.S. Attorneys who lack previous exposure to transportation matters and terminology. The situation confronting the ICC enforcement attorney--where only a limited number of motor carrier violations are subject to a civil penalty--is not conducive to prompt and effective enforcement of the Motor Carrier Act.

At present, the law provides for a civil penalty only where the motor carrier fails (1) to make a required report, (2) to provide truthful answers required by the ICC, (3) to prepare and preserve records prescribed by the ICC, and (4) to operate within the limits of its ICC operating auhority. (49 U.S.C. 11901(g)).

Moreover, the penalty level set in 1965 is inadequate as a deterrent in 1981. Inflation has robbed the penalty--$500 for each violation and not more than $250 for each day the violation continues--of any real meaning. The deterrent effect of the penalty is lost when its cost is substantially less than the revenue of an average truckload shipment by a profitable carrier, e.g., Roadway's $886.23 in 1978 or Yellow Freight's $1038.23 in the same year.

GAO REPORT ON OWNER-OPERATORS

Senator Andrews: In a GAO report on December 31, 1980, it is stated that the "ICC believes the Motor Carrier Act of 1980 will change leasing and reduce improper practices. GAO agrees. However, because it is not certain that owner-operators will take advantage of the provisions of the new Act, GAO believes ICC needs to monitor leasing practices as they evolve under new legislation". Though this is not your recommendation to defend, it appears to assume that the ICC is there to force truck owner-operators into "taking advantage" of changes in the law. Selecting the most advantageous

business practices used to be a function of smart business operators and the market. Is it now ICC's responsibility? How do you see ICC's role in this regard?

Response: It cannot and should not be the Commission's responsibility to force owner-operators to take advantage of the provisions of the Motor Carrier Act of 1980. Owner-operators and others still must evaluate the marketplace and their individual needs and desires to determine their most profitable role in the motor carrier system.

The GAO report, however, recognizes a significant factor in the relationship between the owner-operator and the regulated sector. In spite of some of the provisions of the Motor Carrier Act which are intended to benefit owner-operators, many owner-operators realistically are still economically tied to their regulated carriers and will continue to operate under leasing arrangements. Because of the numerous inherent inequities which have persisted in the leasing system, GAO has cautioned that close monitoring of the situation be maintained by the Commission. In this regard, we agree with the GAO report and have not only continued to monitor leasing arrangements but have taken several actions to inform fully owner-operators of their rights and responsibilities under such arrangements, as well as entry opportunities available under the Act.

LOAN RECOVERIES

Senator Andrews: Your budget justification anticipates almost $5 million in loan recoveries. Do you expect to have any trouble collecting on the loans? What are the circumstances surrounding these loans?

Response: Of the estimated $5.0 million loan recoveries, $1,093,300 was received in January 1981, for the Penn Central Railroad. An agreement, currently in process with the Reading Company, is expected to result in a partial cash settlement.

Part V of the Interstate Commerce Act, enacted in August 1958, provided financial assistance to railroads in the form of loan guarantees. Several railroads defaulted on the guaranteed loans made to them under the Act. The Department of Justice has responsibility for administering the defaulted loan guarantees. The Commission records and deposits the money as received from the Justice Department.

The current status for railroads with an unpaid balance is as follows: (1) the Department of Justice is in the process of reaching a settlement of cash and securities with the Reading Company; (2) a settlement agreement is awaiting court approval on the Lehigh Valley and Erie Lackawana Railroads; (3) the Department of Justice reached a final settlement with the Penn Central in October 1978 (cash and securities were paid and most of the securities have been redeemed); and (4) settlement was reached on the Central of New Jersey in September 1979 and securities were received.

PRINTING AND REPRODUCTION COSTS

Senator Andrews: Printing and reproduction costs continue to increase in 1982. What has caused the almost doubling of costs since 1980?

Response: Most of the $2.8 million spent in 1980 and the estimated $4.2 million in obligations in 1982 are costs associated with publishing in the Federal Register. The Government Printing Office has been increasing the "per page" cost that it charges Federal agencies at a rate exceeding 10 percent per year. The

remainder of the increase is due to the large volume of motor carrier applications and restriction removals that we anticipate as a result of the eased entry provisions in the Motor Carrier Act of 1980. All of the applications are published in the Federal Register in order to meet statutory public notification requirements.

RAIL CONTRACT RATES

Senator Andrews: What has been the impact of the introduction of contract rates as part of deregulation of the railroads? What commodities have been involved? Have there been any problems with the common carrier obligation?

Response: Early indications are that contract rate-making is receiving great attention by both railroads and shippers. Since the Staggers Act became effective on October 14, 1980, approximately 80 new contracts have been filed with the Commission. Our Contract Advisory Service reports that many contracts are presently being negotiated. Conrail, for example, reports that over 140 separate contracts are presently being negotiated. Contracts on file primarily involve autos, auto parts, coal, grain, paper products, iron and steel, TOFC/COFC, phosphate rock and foodstuffs. Also, many contracts are of a service nature involving surcharges for new or better service and commitments by both carriers and shippers to improve car utilization.

With respect to the common carrier obligation, the Commission has just received the first complaint (filed 3/16/81) from a coal shipper alleging that Norfolk and Western coal contracts are impairing the N&W's ability to fulfill its common carrier obligations in connection with berthing facilities for vessels at Lamberts Point, VA. The complaint asserts that vessels tied to inland contract rate arrangements are receiving priority in berthing and other noncontract vessels must bear demurrage charges while awaiting space. The Commission is considering this complaint.

IMPLEMENTATION OF STAGGERS RAIL ACT

Senator Andrews: Summarize the actions you have taken to implement the provisions of the Staggers Rail Act of 1980. What further implementation remains to be accomplished? Has the impact of recent legislation on your workload been less than anticipated?

Response: Actions taken to implement the Staggers Act in the Rates area are listed below. Most of the case titles are self-explanatory.

1. Section 201 - Ex Parte 355, Cost Standards for Railraod Rates, (pending). This case involves standards for judging minimum rates.

2. Section 202 - Ex Parte 399, Cost Recovery Percentage, (pending).

3. Sections 202 and 205(a) - Ex Parte 320 Sub. No. 2, Market Dominance Determinations and Consideration of Product Competition, (pending).

4. Sections 203 and 206 - Ex Parte 290 (Sub-No. 2), Railroad Cost Recovery Procedures, (pending).

5. Section 204 - Ex Parte 394, Cost Ratio for Recyclables - 1980 Determination, (decided 12/30/80).

6. Section 205(b) - Ex Parte 393, Standards for Railroad Revenue Adequacy, (pending).

7. Section 207(4) - No. 37130 (Sub-No. 1), Special Docket Proceedings-Waiver of Insignificant Amounts and Simplification of Procedures, (pending).

8. Section 208 - Ex Parte 387, Railroad Transportation Contracts, (pending).

9. Section 209 - Ex Parte 324 Standards and Expeditious Procedures for Establishing Railroad Rates Based on Seasonal, Regional, or Peak Period Demand for Rail Service, (rules repealed October 29, 1980).

10. Section 210 - Ex Parte 327, Rate Incentives for Capital Investment, (rules repealed October 19, 1980).

11. Section 211 - Ex Parte 390, Rail Rates Based on Limited Liability, (effective 12/24/80); Ex Parte No. 403, Cargo Liability Study - Report to Congress, decided March 19, 1981).

12. Section 213 - Ex Parte No. 230 (Sub-No. 5), Improvement of TOFC/COFC Regulations and Ex Parte No. 230 (Sub-No. 6), Improvement of TOFC/COFC Regulation (Railroad Affiliated Motor Carriers and Other Motor Carriers), (Sub-5 scheduled to be effective 3/23/81; Sub-6 pending). Sub-5 exempts from regulation under §10505, especially 10505(f), TOFC/COFC movements when provided by railroad. Sub-6 would extend the exemption to rail affiliated carriers and motor carrier participation in intermodal movements involving rail carriage.

13. Section 214 - Ex Parte 388, State Intrastate Rail Rate Authority--P.L. 96-448, (requests for certification pending).

14. Section 215 - No. 37465, Business Entertainment Expenses, (pending).

15. Section 216 - No. 37517, Reduction of the Notice Period for Filing Railroad Tariffs, (decided December 29, 1980).

16. Section 217 - Ex Parte 389, Procedures for Requesting Rail Variable Cost Revenue Determinations for Joint Rates Subject to Surcharcharge or Cancellation, (pending); Ex Parte 402, Reasonably Expected Costs, (pending).

17. Section 219 - Section 5b Application No. 2, Western Railroads-Agreement, (decided January 21, 1981). This case applies the Staggers Act to the 3 major rail bureaus. We must still address the other rail bureaus, for which this decision stands as precedent.

As can be seen from this list, the majority of these implementation rulemakings are still pending. These rulemakings take a great deal of staff time, but this workload was projected. It has not taken significantly more time than anticipated.

In the rail construction and abandonment areas, the following actions have been taken:

The Staggers Act changed the finding needed for approval of applications for the construction of new lines or for the operation of existing lines by non-carriers. The Commission no longer must find that the public convenience and necessity "will be enhanced by" a transaction, it need only find that the public convenience and necessity "permits" the transaction. Section 221, amending 49 U.S.C. §10901. In addition, the Commission was given the power to force one rail carrier to let another carrier cross its property in the course of constructing a rail line, Id., and was given authority to require rail carriers to enter into reciprocal switching agreements. Section 223. We do not believe any new regulations are necessary to implement these legislative changes. We have been using the new legislative standards in all cases decided since the effective date of the Act.

The Staggers Act amendments to our abandonment authority, Section 401 (amending 49 U.S.C. §§10903-05), were not self-executing. The most significant changes were (1) the creation of a series of tight statutory deadlines for processing abandonment cases; (2) the imposition of a legal requirement that unprotested abandonment applications be approved, and (3) the grant of the power to require a railroad to accept a reasonable subsidy or purchase

offer. In Ex Parte No. 274 (Sub-No. 6), Abandonment of Railroad Lines and Discontinuance of Service, 45 Fed. Reg. 78144 (November 25, 1980), the Commission proposed revisions in our abandonment regulations implementing these legislative changes. Because the new statute was effective immediately, those proposed rules were made interim rules and have been applied to all pending cases where possible. Public comments on the rules are under review and a final decision in this proceeding should be issued within the next few months.

A related matter is the Commission's implementation of the Feeder Line Development Program, added by Section 401. This new program permits any financially responsible person who is not a class I or II rail carrier to purchase certain rail lines that are either stated as abandonment candidates or not operated in a manner serving the legitimate needs of shippers. The Commission proposed rules to implement this program in Ex Parte No. 395, Feeder Rail Development Program, served October 24, 1980. These were also made interim rules. A decision adopting final rules should be issued shortly.

In the rail consolidation area, the Staggers Act amended both the substantive criteria applicable to rail consolidation, purchase, merger, and control transactions, and the statutory time deadlines in which these cases must be processed. Section 228, amending 49 U.S.C. §§11343-45. These changes were specifically not made applicable to pending cases, and newly filed applications are only now reaching the Commission for review and decision.

The necessary regulatory changes caused by the Act were made in Ex Parte No. 282 (Sub-No. 8), Railroad Consolidation Procedures - Time Revisions, 45 Fed. Reg. 74488 (November 10, 1980). This proceeding amended our rules to create the three classes of transactions identified in the statute: the merger or control of two or more class I railroads; other consolidation transactions which are of regional or national transportation signficance; and other consolidation transactions which are not of regional or national transportation signficance. Public comments on these rules have been received and a final decision will be issued shortly.

The only substantive change in the criteria applicable to class I "merger or control" transactions was the addition of a fifth specific public interest factor: "whether the proposed transaction would have an adverse effect on competition among rail carriers in the affected region." Although the Commission in recent cases has viewed competition as part of its basic determination of whether a transaction is in the public interest, our merger policy statement1/ was specifically modified to reflect this new statutory public interest factor.

The Staggers Act substantially changed the substantive analysis required in lesser consolidation transactions, those which do not involve the "merger or control of two or more class I railroads." The Commission is not required to approve these lesser transactions unless it finds that:

(1) as a result of the transaction, there is likely to be a substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States;

(2) the anticompetitive effects of the transaction outweigh the public interest in meeting signficant transportation needs.

The intent of this new statutory standard was to reduce "the number

1/ Ex Parte No. 282 (Sub-No. 6), Railroad Consolidation Procedures, General Policy Statement, 363 I.C.C. 784 (1981).

of factors the Commission must consider in ruling on transactions less than merger."2/ In keeping with the Congressional intent, a number of pending transactions are being analyzed primarily from a competitive standpoint (with consideration of appropriate employee protective conditions.)3/

The Staggers Act changes in our consolidation, merger and control criteria applied, perhaps unintentionally, the motor carrier mergers and acquisitions in addition to rail transactions. The Commission is still reviewing how these changes affect the processing of motor carrier cases.

With respect to all of the general rail functions of the Commission, the Commission has made frequent use of its expanded authority under Section 10505 to exempt transactions from unnecessary regulation. Our experience over the past several months has demonstrated both the utility and the flexibility of our exemption authority. For example, even under the new time deadlines, processing of a simple application for trackage rights on any length of track -- even 500 feet -- requires a minimum of 2 to 3 months.4/ Using our exemption authority, we have been able to issue an order permitting operations in less than a month.

The impact of the legislation on the workload in the areas of construction, abandonment, and consolidations has been relatively minor. Aside from the flurry of rulemaking activity immediately after enactment, the workload in these rail matters has been reltively constant. We have not seen a rush of abandonment cases filed with the Commission, nor has the number of other rail finances transactions been unusually high. The Commission is, of course, currently processing two extremely large, complex and significant consolidation cases: the Union Pacific's proposed control of The Missouri Pacific and of The Western Pacific; and the consolidation of The Norfolk & Western Railway with The Southern Railway. These carriers and a number of financial analysts argue that merger becomes far more attractive -- and even necessary -- in a deregulated environment. If they are right, we may see a number of additional consolidation cases filed with the Commission.

TRAVEL

Senator Andrews: Yours is one of the few budgets which has come before this subcommittee requesting, at least in the Carter budget, an increase in travel and transportation of persons. How do

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2/ H. R. Rep. No. 96-1430, Conference Report, at 120. The effect of this change is ambiguous: the Commission is still required to consider the general public interest whenever there will be an increase in fixed charges or assumption of dividends, 49 U.S.C. §11344(c); it must impose labor protection conditions on its approval, 49 U.S.C. §11347; and it is permitted to impose any other condition on its approval, 49 U.S.C. §11344(c).

3/ See, e.g., F.D. 29463 (Sub-No. 1), Norfolk & Western Railway Company -- Trackage Rights -- Over the Baltimore & Ohio Railroad Company, (acceptance served Feb. 12, 1981); F.D. 29455 (Sub-No. 1), Norfolk & Western Railway Company -- Purchase -- Illinois Terminal Railroad Company (acceptance served Jan. 21, 1981).

4/ The time is used up in several mandated procedural stages: acceptance and publication (up to 30 days); public comment (30 days); Departments of Justice and Transportation comment (15 days); plus some time to review the record and issue a decision.

you explain that increase in light of the general trend to reduce travel?

Response: Our revised travel request ($2,322,000) for 1982 is less than a 2% increase over that allocated for fiscal year 1981 ($2,279,000). Since our field personnel do extensive traveling, such a slight increase when compared to the inflation rate is insignificant.

ICC AVERAGE GRADE AND SALARY

Senator Andrews: The ICC budget is also one of the few in which the average GS grade and salary are expected to decline in FY '82. Please explain the reason behind this.

Response: The major cause of this decline is the decrease in the number of GS-16 Administrative Law Judges. Since a further reduction is planned, an even larger decline in average grade and salary should result.

CONRAIL VIABILITY STUDIES

Senator Andrews: Please provide for the record a summary of the results of any studies you have done within the past two years in regard to the viability of Conrail.

Response: The Commission's Bureau of Accounts, as part of a continual monitoring of Conrail's operations from inception, prepared separate analyses of Conrail's annual financial and operating performance for 1979 and 1980. The analysis of Conrail's 1980 operations indicates that Conrail is still plagued with critical problems. It also concluded that Conrail, as presently structured and operated, shows no evidence of being able to achieve financial self-sustainability in the foreseeable future.

The Office of Policy and Analysis is presently working on a study of Conrail's physical structure, potential labor savings and managerial operating practices. The study will be available by May 1, 1981.

MILWAUKEE ROAD AND MILES CITY LINE

Senator Andrews: Please provide complete details for the record, on the status of matters pertaining to the Miles City Line and the Milwaukee Road situations. What impact might the mergers of other railroads have on the Milwaukee Road?

Response: At the request of the Federal Railroad Administration, Trustee Ogilvie has extended to May 15, 1981, the deadline for his decision on whether to continue service on the Milwaukee main line from Minnesota to Miles City, Montana.

An application to abandon the line could be filed on May 15 if a financial commitment for track rehabilitation has not been received by the date. Indications are that the Milwaukee would seek a cessation of service through the abandonment process although the Reorganization Court could issue an immediate embargo notice.

The governors of North Dakota, South Dakota, Montana and Minnesota head a task force of shippers and utilities which is seeking long-term, low-interest loans to guarantee continued service on the line. FRA Administrator Blanchette is scheduled to inspect the line with the Governors in early April as FRA could be the source of funding for rehabilitation of the line.

The line will require $49 million in repairs during the next three years. Trustee Ogilvie feels that continued service on the line is in the public interest provided rehabilitation funds are made available and projected traffic volumes are achieved.

Trustee Ogilvie has stated that an amended reorganization plan, incorporating 1980 results, could be ready for filing with the Commission in September, 1981.

The Trustee has also petitioned the Commission for authority to proceed with tender offers for creditors holding First Mortgage, General Mortgage, and Terre Haute Bonds of the railroad. The Milwaukee plans to borrow funds from its wholly-owned subsidiary, Milwaukee Land Company, to cover the tender offers and related expenses. The Commission has established a proceeding to consider this proposal (Finance Docket No. 28640 Sub No. 6).

The possible impact of railroad mergers on the Milwaukee is being addressed in two on-going proceedings:

Union Pacific-Missouri Pacific-Western Pacific - The Milwaukee estimates this merger would result in annual losses of $560,000 in net revenues.

Norfolk and Western-Southern - This merger would give the Southern access to Chicago making it a strong competitor with the Milwaukee's line between Chicago and Louisville, KY. This proceeding is in its early stages and the Milwaukee's position will be addressed in any final determination.

The CSX (Chessie-Family Lines) and Burlington Northern-Frisco mergers had a negligible impact on the Milwaukee.

TRAVEL

Senator Andrews: Please provide for the record, for each of the Commissioners and (separately) their offices, the number of days in travel status and actual travel expenses for fiscal years 1980 and 1981 (to date).

Response: The requested information is presented below:

	Fiscal Year 1980		Fiscal Year 1981	
	Days in Travel Status	Actual Expenses	Days in Travel Status	Actual Expenses
Acting Chairman Alexis	47	$10,289	12	$ 1,639
Office Total	52	$11,188	18	$ 3,205
Commissioner Clapp	11	$ 2,394	8	$ 1,459
Office Total	11	$ 2,394	8	$ 1,459
Commissioner Gilliam	7	$ 2,315	8	$ 2,252
Office Total	12	$ 2,851	16	$ 4,879
Commissioner Gresham	14	$ 2,034	3	$ 486
Office Total	14	$ 2,034	3	$ 486
Commissioner Trantum	32	$ 7,350	21	$ 3,773
Office Total	53	$13,318	28	$ 5,330
GRAND TOTAL	142	$31,785	73	$15,359

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COMPLIANCE AND ENFORCEMENT PROGRAM

Senator Andrews: Please describe the impact of the reductions proposed by the Commission for the compliance and enforcement program. What would be left of this program under Commissioner Trantum's proposal?

Response: The Commission's revised FY 1982 budget request would allocate at least 491 positions to the Office of Consumer Protection (OCP). Under Commissioner Trantum's proposal, the OCP's ceiling would be 315 positions; however, only 210 positions would be allocated for the work currently being performed by the OCP and 105 positions would be transferred to OCP to perform activities presently performed elsewhere in the Commission.

In respect to the monitoring of carriers'compliance with the insurance requirements to protect the public; the same level of staffing and activity would be planned under either proposal. Additionally, an adequate staff must be devoted to the administration of the emergency temporary authority and temporary authority process in compliance with the requirements of the Motor Carrier Act of 1980. This involves the granting, denying or partially granting of short term authorities to motor carriers within specific time frames. Even though this is a highly important function, in order to accomplish other OCP programs it will be necessary to reduce the staffing level under Commissioner Trantum's plan. Serious delays would occur in the handling of the applications and in the decision-making process under the Trantum plan.

The Office of Consumer Protection (OCP) presently handles all complaints received from the public. Under the Trantum proposal OCP would discontinue handling all transportation complaints not strictly within our jurisdiction. Additionally, jurisdictional complaints would be handled only on a staff available basis with some complaints not handled at all.

Under the Trantum proposal all general rail monitoring would cease and 50 of the Commission's 56 field offices would be closed. A small number of intermodal specialists would be retained at each regional office to assist carriers and the public. It would be a mimimal activity and the Commission would lose most of its staff that have direct and frequent contact with the nation's shippers and regulated carriers.

In the investigation and enforcement area, the revised budget anticipates an investigation and enforcement program geared to address all serious violations. Such matters as the unauthorized transportation of hazardous waste; carriers operating without insurance; anti-competitive practices; illegal lumping; and, a host of other unlawful practices would receive attention. Under the Trantum proposal a staff of investigators and attorneys would be retained. However, the cutbacks required under this proposal would limit the enforcement program to only the most reprehensible violations. Other serious violations would not be investigated or prosecuted and would probably result in increased non-compliance.

TARIFF EXAMINATION

Senator Andrews: I understand that the Commission has virtually eliminated review of tariffs and relies now on complaints by shippers to uncover problems. Commissioner Trantum has proposed going even further to the elimination of all tariff examination and of the informal mediation between carriers and shippers in disputes over the proper charges. What would be the impact on the public if Mr. Trantum's suggestion were followed?

Response: In July of 1980 we changed our tariff examination procedures to a more effective system in which we examine the title page of all tariffs. This provides a monitoring of the statutory requirement of lawful notice and an opportunity to assure compliance with regulatory matters such as proper tariff identifiers and scope of the tariff's application. Substantive examination of the contents of tariffs is limited to complaints from tariff users and our own staff of tariff analysts who review selected tariffs of major significance for the purpose of tariff improvement. Adoption of Commissioner Trantum's proposal would deny us the resources to perform any kind of tariff examination at all. Nor could we handle complaints about defective tariffs.

Our informal dispute resolution program is not a function of our tariff examination program. It is a consumer protection activity which is conducted by staff in another section of our Bureau of Traffic. In any event, adoption of Commissioner Trantum's proposal would eliminate our ability to provide this consumer-oriented program.

NUMBER OF COMMISSIONERS

Senator Andrews: What would be the impact of a reduction in the Commission from eleven Commissioners down to seven or even five? Are you encountering difficulties with your current complement of five?

Response: The impact of reducing the number of Commissioners from 11 to 7 would be negligible since the Commission has been functioning effectively with 7 Commissioners since before 1977. The revised budget requests funding for only 7 Commissioners. A seven member Commission is more conducive to decision-making, control and coordinated policy development. In November 1977, the Commission voted to reduce the number of divisions from 3 to 2, to reflect reduction to 7 Commissioners. Under a two division structure consisting of 3 Commissioners in each division, the Chairman is not overburdened with casework and is free to handle administrative duties.

Although the Commission is currently operating acceptably with only 5 Commissioners, some problems arise at that level. A five member Commission does not lend itself to an organizational structure in which the workload can be evenly distributed to divisions. Since each division can consist of no less than 3 members (U.S.C. 10302(a)), the Chairman has been serving on both divisions and, as a result, is involved in every case.

If the division system were to be dropped, each Commissioner would be required to look at every case. This would result in a heavier workload for the Commissioners in dealing with all cases brought above the staff level, even those of limited overall impact.

RATE REGULATION PROGRAM

Senator Andrews: Commissioner Trantum has suggested a major reduction in the resource commitment to the costing and financial analysis activities in support of the Commission's rate regulation program. Some of the reduction would come from the elimination of duplication in the Bureau of Accounts and Office of Policy and Analysis, some from reduced emphasis, and the balance from presumed efficiences. What are the efficiency gains possible and what are the implications of the Stagger's Rail Act for workload in this area? How are you doing with the URCS?

Response: There is some duplication of effort between the Bureau of Accounts (BOA) and the Office of Policy and Analysis (OPA)

in casework, and some small efficiency gains are possible but the majority budget recommendation of the Commission has already taken reductions to reflect these improvements.

BOA provides the technical analysis and recommendations involving costing and financial issues. OPA provides review and comment. While each office may get involved in the same case, there is a benefit to the Commission from the application of separate disciplinary perspectives to complex issues.

OPA also routinely screens analyses for policy issues. This is done to ensure consistency and to ensure that policy issues are not overlooked. This screening does not represent a significant effort so there would be minimal savings in staff time even if it were not done.

The Staggers Act will increase the Bureau of Accounts analysis workload to determine adequate revenue levels and in rail surcharges cases. Some decline in less complex case analyses is anticipated, but no decrease in staff time to consider the more complex cases such as railroad abandonments, coal and market dominance cases.

In summary, URCS was begun in 1976. Data necessary to its application was not available until early 1980. Since that time, we have been performing a complex statistical analysis to determine the variable cost level. The importance which the Staggers Act places upon variable costs makes it imperative that the final regression analysis be thorough and defensible.

We plan to complete the regression analysis in April 1981, and at that time to derive regional unit costs for calendar year 1979. These will be offered for informal public comments. Those comments will be evaluated and critical changes incorporated into URCS. Final 1979 regional cost studies are scheduled for release in August 1981, at which time URCS will be put forward to replace Rail Form A.

BACKLOGS IN CASE PROCESSING

Senator Andrews: I understand that Commissioner Trantum among others has recently expressed great concern over delays, inaccuracies, and failures in the service of decisions and motor carrier certificates. This Committee shares his concern and is concerned also about the case processing backlog. Please describe your progress in eliminating the backlog and also the impact of the budget cuts you have recommended, and the further cuts suggested by Mr. Trantum, on your ability to handle your caseload within the new statutory deadlines.

Response: In order to eliminate the backlog of paperflow, the Commission has eliminated one step in the three step certification process. The three steps included decision, issuance of the effective notice, and service of the certificate. Now decisions include the effective notice information, and for established carriers, certificates are issued without awaiting further documentation. The Commission's budget presentation takes this into account (it cuts no positions specifically from this area) and permits the continued smooth flow of applications through our new expedited process.

Our service procedures and particularly our old address card system gave way last year under the movement of so many cases--some 83,000 decisions, orders and certificates were served in 1980. The old system contained more than a half-million names because it was built on a case-by-case basis. A new computer based system has since been implemented which builds on a "name" rather than a "case" basis. An attorney's name and address will be in the file only once but each case in which he/she is a participant will be associated by

docket number to their name. Some 14,000 names and 40,000 cases have been added to the new system. However, the operation of dual systems has slowed down the service process temporarily. We have changed the workflow and centralized the scheduling, copying, addressing and mailing of decisions in one unit. Previously, those functions were split requiring the mail room to obtain addressed envelopes from the Secretary's Office and match to printed decisions from the Printing Plant. The new system has already improved the accuracy and timeliness of service even though the computer file is not yet complete. Some 3,000 operating authority certificates, in addition to decisions and other work, were served between March 5 and 13, 1981.

By consolidating the areas responsible for the service and the case processing, Mr. Trantum would eliminate 10 positions. While there appears to be some minor duplication of responsibilities, a cut of 10 positions would be detrimental to daily operations. Such a cut would make it unlikely that the Commission could continue to issue certificates within the 180-day statutory deadline. Substantial progress is being made to decrease our backlog and eliminate delays and inaccuracies. It appears inconsistent for Commissioner Trantum to support elimination of case processing delays and a cutback in the staff necessary for case processing.

STAFF LEVELS

Senator Andrews: What will be the impact of the reduction you have proposed on the morale of your staff and on your retention of employees with needed expertise for your key positions? What would happen if you were to be required to reduce your staff to 1,000 employees by October 1, of this year?

Response: The Commission's proposed reduction to a full-time permanent employment level of 1,600 should not have a severe negative effect on employee morale or the level of expertise available in key positions. As a result of both the Carter and Reagan hiring freezes, the Commission's current full-time permanent on-board strength has fallen to approximately 1,800. Through normal attrition and with the assistance of out-placement efforts and early retirement eligibilities, the Commission should be able to reach the 1,600 level without laying off employees or significantly disrupting the normal routine.

However, a reduction to a full time permanent level of 1,000 by the beginning of the fiscal year could have a traumatic effect on both employee morale and on key personnel. As of October 1, a major reduction-in-force would have to take place and between 600 and 700 employees would have to be laid off. Government regulations require that this be done largely on a seniority basis meaning many key personnel could be caught in the reduction. Such an event would be certain to disrupt the Commission's normal activity as employees became more concerned about their personal economic security and the uncertainty of the situation. Employees who survived the cut would have to view this as a prelude to the future. A continuous job search would be underway which could cause further disruption and loss of productivity. The end result would most likely be an exodus of the best employees, further affecting the productivity and quality of service of the Commission.

SELECTIVE RESPONSE TO COMPLAINTS

Senator Andrews: Commissioner Trantum has suggested selective response to the complaints and inquiries that pour into the ICC at the rate of 125,000 per year. How would you select the ones for response?

Response: Some complaints and inquiries are more serious than others. However, to the person contacting the Commission about his/her dissatisfaction with some facet of transportation, that complaint or inquiry deserves priority handling. We have been sensitive to and handled all complaints including those over which we had no jurisdiction, such as freight loss and damage claims. Under the Trantum proposal we would discontinue handling non-jurisdictional complaints even though our record of assisting complaints is good. This would include Congressional and other third party referrals. Even in the jurisdictional area, we would be required to prioritize complaints and only handle those that appear more urgent than others. The remainder would not be handled at all because of staffing limitations.

CASE PROCESSING

Senator Andrews: Commissioner Trantum has suggested that the ICC spends most of $27 million to reject one percent of applications received. Please tell us how much of your budget is consumed by the processing of motor carrier operating rights cases and please explain why this expenditure is justified.

Response: The current small percentage of denied applications reflects the Commission's assessment of (1) the procompetitive elements in the Motor Carrier Act of 1980, including the placing of substantial evidentiary burdens on existing carriers, and (2) the current economic state of the motor carrier industry.

Under the proposed 1982 budget, the staff level requested for the Office of Proceedings is set at 313 positions. If motor carrier entry cases were eliminated,[1]/ this would remove 7 Ombudsman positions, 8 review board and support positions, 99 Operating Rights and support positions, and 82 support positions in the Section of Applications Evaluations and Authorities. The Office of Proceedings would then be reduced from 313 to 117 staff.

The budgetary expenditures for licensing continue to be justified. The main purpose of the Motor Carrier Act must be considered in this discussion. The Act seeks to increase competition in the industry and reduce unnecessary federal regulations while still maintaining general control over the economic state of the industry. Four major concerns were addressed in the Act: (1) fear of reduced service to small communities, (2) fear of reduced safety on the highways, (3) a desire for lower consumer prices, and (4) greater conservation of energy resources. The consensus was that these goals could best be achieved by liberalizing entry even more than the Commission had done (at the time the Act was passed, the grant rate was in the mid-to-upper 90 percent range) while stopping short of full deregulation of entry.

For example, the report of the Committee on Public Works and Transportation, H. Rept. 96-1069, at page 9, noted that the liberalized entry provisions should result in increased service to

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1/ The Commission also handles a relatively small number of motor carrier broker and freight and water carrier applications, as well as complaint proceedings. It can be assumed that these adjunct areas of regulation would also be eliminated.

small communities because of increased opportunities for carriers. The Act, however, provided for a study to assess the impact of the bill on this area. One major concern of those opposed to liberalizing entry was that carriers would tend to stop serving small communities in a search for more lucrative markets.

In one sense, then, the entry provisions can be seen as an indication by Congress that it might be best to change the atmosphere of trucking regulation incrementally and monitor results.

The current licensing provisions are part of the monitoring program and new procedures are designed to permit this incremental adjustment. The statute and recent Commission cases on the new entry section have continued to emphasize the benefits of competition, while keeping a watchful eye out for public harm. The current high grant rate merely reflects the lack of a public harm showing resulting from a more competitive environment.

Out of the total annual budget allocation for operation of the Secretary's Office during FY 1981, about $750,000 is used in the processing and service of motor carrier operating authorities. This represents 40% of the Secretary's budget allocation for the year.

Regardless of the rejection rate of motor carrier applications by the Commission, such cases must be docketed, the applicable fee accounted for and the application forwarded to the action office. Under present procedures, the application must also be published in the Federal Register and captured in the docket, together with the applicable supporting material. Pertinent protests must also be captured and included as part of the public docket file in each case.

After a decision has been reached, Commission action in the case must be served on the applicant, all parties of record, the press and the public; and a copy of the certificate issued (or denial decision) included in the appropriate docket file.

As can be seen from the above, the activities of the Secretary's Office in such cases are statutory in nature and are not related to the acceptance/rejection ratio. These functions would have to be accomplished to satisfy applicable legal requirements, regardless of the rejection rate.

ADMINISTRATIVE REFORM

Senator Andrews: Commissioner Trantum argues that the Commission is not coming to grips with bureaucratic and administrative inertia. What have you done to adjust your activities to the new priorities and procedures of regulatory reform and to trim budget fat? Have you done enough? Could you carry the mission of the agency with substantially fewer than 1,600 staff employees?

Response: The Commission began major administrative efforts to reform transportation regulation in 1977 when it released a staff proposal of 39 recommendations to ease entry into the motor carrier industry. At the time, we were operating at a staff level of 2,142. Since then as we continued administrative reform, we pared away at staff levels as the workload declined. By the time the Motor Carrier Act and the Staggers Rail Act of 1980 were enacted, we had voluntarily dropped to a staff level of approximately 1,900. We are now proposing further substantial cuts in staff to a level of 1,600, also based on workload. I believe that the history of the last 4 years proves that we have adjusted willingly to new priorities and procedures of regulatory reform and trimmed budget fat. For example, in 1977 we adjudicated slightly more than 10,000 operating authority cases with a staff of 396 in our Office of Proceedings and 111 in our Office of Hearings. In 1982, we are

projecting that we will handle approximately 22,000 operating authority cases with a staff of 318 in the Office of Proceedings and 18 in the Office of Hearings.

I believe from a budget standpoint we have done enough and we cannot carry out the mission of the agency with substantially less than 1,600 employees in 1982. I also believe that we should continue our reform efforts and continue to adjust our staff as the workload changes and the industry adapts to the new environment. By 1983, I believe the Commission will again be able to voluntarily make further reductions in staff.

Questions Submitted by Senator McClure

FUEL SURCHARGE

Senator McClure: A February 9, 1981, letter from the Household Goods Carriers' Bureau to Acting Chairman Alexis notes the following:

> The Household Goods Industry should be treated separately, similar to the bus lines and UPS for the simple fact that the loading and unloading, booking and shipment services are included in the linehaul rate which means that movers must apply the fuel surcharges to services not related to the consumption of fuel.

What is your reaction to the statement of the Household Goods Carriers' Bureau?

When the ICC Fuel Surcharge was 17%, the Household Goods Carrier's Bureau estimated that fuel costs would have to be $1.85 per gallon to justify that rate. Please comment on the following Bureau analysis:

	Present Fuel Surcharge	Required to Justify 17%
1. Base Price Per Gallon January 1, 1979	63.5¢	63.5¢
2. Current Price Per Gallon - February 2, 1981	128.4¢	185.2¢
3. Increased Cost Per Gallon (Line 2 minus Line 1)	64.9¢	121.7¢
4. Annual Miles Operated - Year 1978 (18 Cost Study Carriers)	659,758,581 miles	659,758,581 miles
5. Annual Gallons (Line 4 ÷ 4.5 MPG)	146,613,018 gallons	146,613,018 gallons
6. Increased Fuel Costs (Line 3 x Line 5)	$95,151,849	$178,428,043
7. Intercity Transportation Revenue - Year 1978 - 18 Cost Study Carriers	$1,049,908,669	$1,049,908,669

	Present Fuel Surcharge	Required to Justify 17%
8. Required Fuel Surcharge (Line 6 ÷ Line 7)	9.1%	17.0%

Response: The fuel surcharge program did provide benefits to carriers and owner-operators for a period of time and it contributed substantially to resolution of the owner-operator strike of 1979. However, it has produced serious short-term and long-term problems. This is in part due to the computation of the surcharge as a percentage of revenue. In addition, the amount of surcharge needed by a specific carrier or owner-operator to cover the increase in their fuel cost varies according to the weights of their shipments, the terrain, their average load factor, the fuel efficiency of their trucks, and other factors unique to them. Since the surcharge is based on broad industry averages, the amount of surcharge for a specific carrier or owner-operator is correct only if the shipment(s) being transported, the owner-operator, and the carrier represent the average figures for each of the categories mentioned above. Because of this, the surcharge seldom results in the correct amount being charged to shippers or paid to owner-operators.

One of the most pronounced problem areas is the discrepancy between the authorized fuel surcharge and actual fuel cost increases in the household goods segment of the trucking industry. The primary reason for this is not due, however, to the reasons suggested in the February 9, 1981, letter from their rate bureau, i.e., the application of the surcharge to services not related to the consumption of fuel. Revenue in other segments of the motor carrier industry is also based in part on cost related to platform or administrative and booking work.

Household goods rates per pound are on the high side of the average of all trucking industry rates. However, unlike most LTL operations, there is widespread use of owner-operators to move household goods. Since carriers are required to reimburse owner-operators under the higher (truckload) surcharge, this results in an excessively high fuel surcharge cost to users of their services. For these reasons, the Commission staff has suggested that if the surcharge program is retained, a separate household goods surcharge should be established. The amount of such a surcharge would be based on the relationship of fuel expense to revenue rather than upon an arbitrary 4.5 miles per gallon average as suggested by the Household Goods Carriers' Bureau. Such a surcharge would also be determined by compiling total industry segment figures related to fuel cost and consumption rather than the 18 study carriers utilized in the Bureau's analysis. If these modifications were made, the appropriate level of the surcharge would be less than the authorized 17% surcharge used in the Bureau's example but perhaps higher than the 9.1% suggested by the Bureau (based on fuel cost of 128.4¢ per gallon).

Senator McClure: When does the Commission plan to review the staff report of the Office of Policy and Analysis on the Motor Carrier Surcharge Program?

Over the past year the Commission has acknowledged that the fuel surcharge formula should be revised. What is your timetable for getting formula modification proposals to the public?

Response: Based on the staff report submitted to the Senate Appropriations Committee on January 31, 1981, the Office of Policy and Analysis, in cooperation with the other Commission Bureau and

Office Directors, has developed a proposed rulemaking, Ex Parte No. 311, which is currently before the Commission and scheduled for decision by the end of March.

Questions Submitted by Senator Chiles

BUDGET APPROPRIATION

Senator Chiles: The amended budget proposal for the Interstate Commerce Commission is for 1,600 full-time permanent positions and $79 million. Commissioner Trantum has indicated that the Commission could perform its activities in Fiscal Year 1982 with 1,000 full-time permanent positions and $50 million. How many positions would need to be RIFed at a $50 million funding level for Fiscal Year 1982? Mr. Trantum has stated that administratve reform has not kept pace with regulatory reform and that with a number of adjustments, including reducing the number of divisions from 9 to 5, ICC could operate effectively at the $50 million level. Could the agency carry out its responsibilities as mandated by the Congress at the $50 million level? Specifically, what difficulties in terms of performance of duties would the Commission experience at the $50 million funding level?

Response: Commissioner Trantum's proposed funding level of $50 million for FY 1982 is based on an average employment level of 1,000. To maintain such an average, the Commission would have to be at a level close to 1,000 by the beginning of the fiscal year. Normal attrition would not be sufficient to reach this level from the approximately 1,800 full time permanent employees currently on-board. Between 600 and 700 employees would have to be laid off as of October 1. If this were to occur, separated employees would be entitled to severance pay amounting to several million dollars in costs above the $50 million.

It is unclear whether the ICC could carry out its mandated responsibilities at the $50 million level. There are still many uncertainties above the new legislation to make such a determination. Until more experience is gained, Congressional intent clarified, and resultant workload better defined, the minimum workforce necessary cannot be accurately projected.

The real key to the question is the definition of mandated responsibilities. At the $50 million level, it is certain that much of the significant work the Commission performs, mostly at the direction of Congress, could not be done. As the Commission understands its responsibilities under the statute, the proposed budget of $79 million is needed to fulfill its mission in FY 1982.

At the $50 million funding level, the Commission could no longer provide the scope and quality of service it now provides to the surface transportation industry and its users. Consumer assistance and outreach activities would be greatly reduced. Assistance would be subject to staff availability and then on a priority basis only leaving many requests unanswered.

The greatest effect of the lower funding level would be on the oversight and monitoring activities of the compliance and enforcement program. Only the most flagrant and serious violations would be addressed. Compliance surveys and special studies of transportation conditions would be virtually eliminated.

This funding level would also require closure of the 50 area field offices, reducing the field operation to six regional offices. This would severely limit the Commission's communication channels with the industry and its users as well as the service it is able to provide.

DEREGULATION BY STATE OF FLORIDA

Senator Chiles: As you know, the State of Florida totally deregulated intrastate bus and truck industries as of July, 1980. On an overall basis, I understand that this total deregulation is working reasonably well. I have heard reports that it has resulted in the lowering of bus fares and increased competition in the trucking industry resulting in maintenance of adequate service to all areas. Is that correct? Has ICC studied the Florida deregulation case? Please provide a discussion of the effects of this total deregulation experience as it relates to service to all areas, including small communities, prices and maintenance of adequate competition in the industry.

Response: The Commission has had the Florida deregulation case under study for several months. Interim results from a recent shipper survey and interviews with bus companies, agents, and users indicate that deregulation appears to be successful from the point of view of users (shippers and bus passengers) and at least some bus carriers. Results are not yet available on the impacts on trucking firms.

Our evaluation of service changes is based on questionnaire responses that address on-time performance, service availability, service options, freight loss and damage, shifts to or from for-hire service, and carrier entry/exit. Indicative of the responses are those given to the questions regarding service availability. For receiving shipments, 79% indicated that service was "always" or "almost always" available; comparing this availability to pre-deregulation, 18% (of all respondents) said service is available more often than before deregulation, 8% said less often, and 74% indicated no change. For sending shipments, 77% indicated service was always or almost always available; comparing current experience to pre-deregulation, 13% (of all respondents) indicated shipping service was available more often than previously, 3% said less often, and 84% indicated no change. No respondent indicated that service was "never available" when they needed it, either for receiving or sending freight.

In the rate area, there have been reductions and increases. The reductions seem attributable in part to increased competition brought about by deregulation. However, because of fuel and other cost increases, it is not really clear what role, if any, deregulation has played in rate increases.

Regarding the level of competition within the industry several factors suggest that it has increased. First, the percentage of respondents reporting increased service availability is substantial and markedly higher than those reporting less service availability. Second, the occurrence of any rate decreases, at all, suggest that carriers are engaging in price competition. Finally, one Florida traffic specialist (with shipper clients throughout the state) reports a noticeable increase in the amount of carrier solicitation of shipper accounts.

Recently, Commission staff conducted on-site interviews with bus carriers, agents, and users in central and southern Florida to assess the impact of bus deregulation. Preliminary results are, on balance, favorable. Deregulation has produced many new charter bus entrants to meet local market needs at a reduced cost to consumers. Existing charter and tour operators have greatly expanded service and users have benefited from improved service and equipment. Coastal areas have experienced an influx of low-rate bus operators from northern states during the winter tourist season. While many new and expanding carriers have reported increased traffic and

revenues (if not increased profits) several existing carriers experienced substantial reductions in charter and tour business as a result of increased competition and a decline in demand due to cold weather and inflationary impacts on tourism. All, however, were optimistic that they could compete successfully given the increased flexibility of deregulation.

Deregulation resulted in the loss of some unprofitable regular route local service, requiring affected communities to seek other arrangements. Greyhound and Trailways cut service over some routes, while instituting new service on others; and local carriers stepped in to fill some of these gaps. While some communities reported inconveniences (particularly for elderly residents and package express shippers) overall changes were not great (probably due in part to the obvious past and potential growth of the region), and there appeared to be no major dislocations. While the carriers were optimistic about the potential of new (and not yet profitable) routes, they indicated that they could no longer offer to cross-subsidize unprofitable service over the long run.

While Trailways early employed some limited, selective experimental fare reductions, deregulation appears to have had little effect on bus fares. Carriers have increased rates in response to increasing fuel costs, and the pre-deregulation two-tier fare system (intrastate fares often lower than comparable interstate fares) may soon be abolished in favor of the higher interstate fares.

The most serious problems appear to be lack of any adequate safety standards or enforcement, and the absence of an insurance requirement adequate to protect the public. Both of these may be remedied by the Florida legislature.

The Commission plans to continue monitoring the Florida situation.

HOUSEHOLD GOODS TRANSPORTATION ACT

Senator Chiles: The Household Goods Transportation Act was passed to address the abuses many people were experiencing in the transportation of their household goods. As you know, because of the significant migratory flow of people into the State of Florida, both my office, as well as the ICC received many complaints from individuals who have experienced difficulties in moving their household goods to Florida. For the record, please describe the significant provisions of the Household Goods Transportation Act and how these provisons have reduced the level of abuses. In the agency's estimation, how effectively is the Act working? Has the level of complaints reduced? (Please provide complaint data for the last 4 fiscal years).

Response: The three most significant areas for complaints by consumers against household goods movers concern the failure of movers to pick up and deliver shipments on the dates agreed; the failure of movers to give timely and reasonable handling to claims; and, the frequently significant difference between the charges a consumer anticipated for a move and the amount of the final charges by the carrier.

Section 4 of the Household Goods Transportation Act of 1980 provides for amended mover operating practices which should improve the position of the consumer in two of these areas.

Section 4(a)(1), 49 U.S.C. 10734(a)(1), permits movers to offer binding estimates. Movers employing such estimates will be able to offer to a consumer what amounts to a contract price which will be specific with respect to the services included in the estimates. This should reduce the complaints alleging that movers underestimate improperly. Providing that the move which takes place is in all

respects the same as was contemplated at the time the binding estimate is prepared, the mover will be contractually bound to accept payment consistent with the estimates.

Under the term of the amended operational regulations adopted by the Commission under Section 6 of the Act, the movers are given wide latitude in the manner in which they prepare nonbinding estimates. Given this freedom it can be reasonably expected that the accuracy of their nonbinding estimates should show improvement. This should further reduce the causes for consumer complaints in this area.

Section 4(b) provides for the mover to publish tariff provisions for providing guaranteed pickup and delivery service with a predetermined penalty of per diem payments to the consumer for each day of delayed service. Knowing before the fact what amount of compensation can be expected in the event of shipment delay should work to the consumer's advantage and reduce complaints of this nature.

Also under Section 6 of the Act is a requirement that the Commission establish performance standards, where appropriate, to be applied to the operations of movers. A notice of proposed rulemaking to establish performance standards was published in the March 11, 1981, Federal Register. It is anticipated that comments will be received and final rules adopted prior to July 1, 1981.

One of the proposed performance standards deals with the timeliness of handling claims. If adopted as proposed, movers will be expected to acknowledge 95 percent of all claims within 30 days of receipt and to conclude final handling of 90 percent of all claims within 60 days and 95 percent within 120 days. The existence of this requirement should encourage movers to avoid unnecessary delays in the disposition of claims, including the providing of reasonable offers of settlement during the early stages of the resolution process.

Section 7 of the Act provides for movers to establish informal dispute resolution (arbitration) programs to facilitate the reasonable, timely and cost-efficient settlement of claims. It is anticipated that the existence of such programs will encourage the movers to offer reasonable settlements at the outset instead of taking what may be an unreasonable position and forcing a consumer to resort to a costly court action to recover.

At this time, it is too early to assess the impact of the new Act on the service being provided the public. The new operational regulations will become effective on June 9, 1981. It is anticipated that any significant reduction in the number and nature of consumer complaints against the interstate moving industry will not be evident until those regulations have been in effect from four to six months at a minimum. The level of complaints, in relation to the number of shipments transported, has remained at a 1.5 to 2.0 percent level for the past several years and remains substantially the same at present.

The following table presents the data available regarding consumer complaints against movers during the past four calendar years. The information is not available on a fiscal year basis as it is necessary to relate the number of complaints to the number of shipments each year. Data relating to the number of shipments is available only from the Annual Performance Reports which are filed by the movers on or before March 31 of each year to report on their performance during the prior calendar year. As the performance reports for 1980 have not been filed as yet, the number of shipments transported during 1980 has been estimated to be 90 percent of the number transported in 1979.

Consumer Complaints Against Interstate Movers - 1977 through 1980

Calendar Year	Total Shipments	Total Complaints	Percent of Shipments Resulting in Complaints	Distribution of Complaints By Reasons		
				Loss & Damage	Delay in Service	Charges Estimates
1977	1,132,920	13,054	1.15%	32%	45%	23%
1978	1,210,963	21,421	1.74%	36%	43%	21%
1979	1,189,401	24,609	2.06%	43%	36%	21%
1980	1,070,461*	19,089	1.78%	51%	20%	29%

* Estimated 90% of 1979 shipments.

CONRAIL ABANDONMENTS

Senator Chiles: As you know, Conrail has requested the abandoment of approximately 300 miles of rail line in its system and is likely to request the abandonment of 5,000 to 6,000 miles of system in the next 12 months. What is the overall attitude ICC has towards Conrail's efforts to abandon the more unproductive miles of its system?

Response: We cannot make a priori judgments about the public convenience and necessity of any particular Conrail abandonment proposal. Each case will be judged on its own merits as we seek to balance Conrail's need to operate more profitably and the need of shippers to maintain essential rail services. As a general matter, however, we recognize the right of every railroad to cease offering unprofitable service. Requiring them to do so by regulatory fiat simply creates the need for cross-subsidy. That is, for every non-remunerative service that Conrail, or any other railroad, is forced to offer, another shipper (and consumers) dependent on other Conrail services must pay needlessly high rates for their services. Whether abandonments in and of themselves offer means for Conrail to achieve financial viability is, at best, unclear. We do believe, however, that abandoning unremunerative service can only aid Conrail in achieving that goal.

We note in passing that the 4R and Staggers Act offer shippers and communities threatened with abandonment alternatives that would preserve rail service. These range from outright subsidy, to acceptance of surcharges on lines proposed for abandonment, to use of the feeder line development program that permits shippers or others to purchase rail lines.

MOTOR CARRIER INDUSTRY

Senator Chiles: Each common carrier trucking firm files a profit and income statement with the ICC each year. Please provide a discussion of the overall economic health of the trucking industry in the United States. In fiscal year 1982 alone, ICC expects more than 22,000 entry applications. Has the number of common carrier trucking firms in the United States continued to increase over the last decade? Specifically, what is the purpose of continuing to regulate the trucking industry if in fact the industry is healthy

and there are a large number of carriers interested in providing the needed service?

Response: Data from motor carrier annual reports filed with the ICC and compiled in Trinc's Blue Book of the Trucking Industry show that the return on equity (ROE) for all Class I and II motor carriers went from 19.3 percent in 1978 to 14.9 percent in 1979, and the ROE for all Class I and II general freight carriers went from 18.8 percent to 14 percent over that period.

However measured, the drop in reported rates of return represents a cyclical decline from which the industry will recover as the economy in general begins to recover. Tonnage dropped more sharply during this recession than in any in recent memory and therefore a drop in profits was unavoidable. However, what is encouraging, and the best test of the effect of deregulation on rate of return, is the carriers' performance relative to earlier recessions. The most recent available Commission data are for 3rd Quarter 1980 and relate only to the top 100 carriers. For these carriers, ROE never dropped below 12.5 percent and is currently 13.8 percent. By comparison, during the 1975 recession, it dropped to 8.8 percent.

Rates of return for motor carriers for the third and fourth quarters of 1980 do not include an extraordinary charge for the loss of the value of operating rights. Such a loss is a one time event, and is not an indication of future financial ill health.

Analyses of fluctuations in motor carrier operating statistics and financial indicators over several business cycles suggest that while tonnage carried varies significantly over the cycle, there is relative stability in the trucking industry's profit figures. The cost flexibility of trucking firms is the main reason for these differences. The number of employees, the number of vehicle miles, and the amount of purchased transportation are all adjusted downward to meet declines in needed capacity. Thus, costs decline when revenues decline so that rates of return decline much less.

IMPACT OF REGULATORY REFORM ON SMALL COMMUNITIES

Senator Chiles: Has ICC detected any reduction of services to small communities as a result of the Motor Carrier Act of 1980? Please describe.

Response: In March, 1980, the Commission's Office of Policy and Analysis published a study on service to small communities. The study maintained that because service to small communities was not unprofitable, regulatory reform should not result in service shortages in small community markets. These findings, in turn, supported the conclusion that maintaining the traditional regulatory structure of restricted entry and pricing as an economic development tool for small communities would be both impractical and unwise.

In section 28 of the Motor Carrier Act of 1980, the Congress mandated a thorough investigation of service to small communities. While that section of the Act requires a number of separate investigations (currently ongoing in the Office of Policy and Analysis), the central focus of the study is a shipper survey--a questionnaire mailed to some 500 randomly selected businesses in small communities throughout the United States. A preliminary hand tabulation of questionnaires from all regions of the country confirms the findings in OPA's March, 1980 study: neither small community market failures nor short run disruptions in service have occurred. This analysis is based on questions that address on-time performance, service availability, service options, freight loss and damage, shifts to orfrom private and for-hire service, and

carrier entry/exit. All questions addressed service during the six months since passage of the Act.

Regarding on-time performance, 63 percent of those responding to the survey indicated service was always or almost always on time 13 percent said that carrier performance had improved during the last 6 months, 3 percent said it had gotten worse, and 84 percent said it stayed the same. Regarding service availability, 82 percent stated that service was always or almost always available; 12 percent indicated improvement, 1 percent indicated deterioration, and 87 percent said availability was about the same.

As to service options, 8 percent said they had more in the last 6 months, 4 percent said less, and 88 percent said service options in the last 6 months were about the same as before. Regarding freight losses, 84 percent said their freight arrived always or almost always in good condition; 12 percent indicated improvement, 3 percent indicated deterioration, and 85 percent said freight loss was about the same as before.

No shift between private and for-hire service was found. Fourteen percent of shippers reported new carriers had started providing service. Surprisingly, many of them reported more than one new carrier. The remaining responses indicated neither losses nor additions in number of carriers offering service.

Questions Submitted by Senator Abdnor

MILWAUKEE ROAD

Senator Abdnor: Do you believe the ICC will use the 11% rate-of-return rule again when the Milwaukee Road Trustee submits his final reorganization plan?

I am concerned that the rule is not a good decision-making business tool because it does not defer enough to the lines shipping potential with respect to coal moving east and grain moving west. Additionally, the rule does not fit the "business" for which it is being used; this case involves social economics as well as textbook economics.

Response: The Commission has made no pronouncements that would evidence a change of views regarding the appropriate rate of return standard for the Milwaukee Road, since its decision of 19 March 1980 rejecting the Milwaukee's proposed plan of reorganization.

In its decision turning down two proposed Milwaukee Railroad reorganization plans and in a subsequent staff study called "The Prospect of Reorganizing the Milwaukee Road as a Viable Carrier" the Commission applied an 11 percent cost-of-capital rate to the estimated net liquidation value (NLV) of the Milwaukee Road's assets. We applied this rate to the NLV in order to determine, at least theoretically, the minimum net revenue which the Milwaukee Road must generate if the firm is to become financially self-sustaining on a long-term basis. The 11 percent rate (developed in several Commission revenue adequacy proceedings) is a composite figure weighted to reflect the debt and equity capital structure of the rail industry. The cost of capital is the minimum rate that must be earned if the railroads are to retain and attract investment funds from the private sector. Unless such private funding can be attracted, the railroad would necessarily have to rely to some degree on Federal money. This is in direct conflict with the statutory mandate that the Commission not approve a reorganization plan unless it presented a reasonable prospect for the railroad to be financially self-sustaining.

It has been argued that 11 percent is unrealistic because few, if any, major railroads earn such a rate of return. We stress that under this 11 percent standard the Milwaukee would be required to earn this cost of capital only on its net liquidation value, the reason being that liquidation is a clear alternative to reorganization. If the earnings of some of the more prosperous railroads were recalculated to reflect a return on their net liquidation values (which may often fall short of book values), it is plausible that many carriers would meet the 11 percent standard. In addition, as noted above, the Commission faced a statutory requirement that a reorganized railroad be financially viable, and thus a cost of capital test was, in our view, both appropriate and reasonable.

The 11 percent cost of capital is not fixed or absolute. The staff study is a preliminary evaluation designed to assist the Commission and should not be construed as the Commission's final judgment on the future of the Milwaukee Road.

ICC STATE AND REGIONAL OFFICES

Senator Abdnor: Will the ICC be maintaining offices in each state or going to a regional system? A constituent has expressed concern to me about the regional plan advanced by Acting-Chairman Alexis.

Response: Under the Commission's proposal for 1,600 full-time permanent positions for FY 1982, the current field network of 50 area offices and 6 regional offices will be maintained. However, if Commissioner Trantum's proposal for a reduction to 1,000 full-time permanent positions is adopted, the Commission will be forced to close the 50 area offices reducing the field operations to 6 minimally staffed regional offices.

FUEL SURCHARGE PROGRAM

Senator Abdnor: What do you see as the future of the fuel surcharge program now in effect for owner-operators?

Response: The Commission is continuing to evaluate the various options available for dealing with the inequities of the Fuel Surcharge Program and is looking for a solution which will be fair to all parties involved. Although we recognize the problems inherent in this effort, we also recognize the need to establish mechanisms for carriers and owner-operators to be compensated for increased costs due to rising fuel prices.

MINORITY INVOLVEMENT IN THE MOTOR CARRIER INDUSTRY

Senator Abdnor: The ICC has taken actions to promote minority and female involvement in the motor carrier system according to a copy of a letter I have received that was sent by Acting Chairman Alexis. I would like the ICC to provide me with the specific references in the Motor Carrier Act of 1980 that mandate such actions. Additionally, I am interested in knowing just what direction the ICC will be taking in implementing this increased involvement?

Response: When Congress passed the Motor Carrier Act of 1980, it amended the National Transportation Policy to include promotion of greater minority participation as one of the mandates to be followed by the Commission in its regulation of motor carriers of property. 49 U.S.C. 1010(a)(7)(G).

In order to implement this Congressional mandate, the Commission has established a system to identify and measure minority

firms involved in surface transportation. In Ex Parte No. MC-150, Minority Participation in the Motor Carrier Industry, the Commission issued a policy statement implementing a data collection program. The first stage of the program, which has recently been completed, involved mailing a short questionnaire to all ICC regulated carriers. Only minority carriers were asked to respond. A questionnaire will also be mailed to each new applicant for authority. This latter step will enable the Commission to update this information to measure the change in minority participation since enactment of the Motor Carrier Act of 1980. The names compiled from the identification system will constitute a register which will serve as a useful means of communicating with minority firms interested in entering the trucking business. This information will be available to the Commission and the Congress, as well as other agencies and organizations, to assist in designing and delivering programs to address the specific needs of these firms.

The Commission is presently holding a series of informal conferences around the country to identify the nature and magnitude of the problems facing minorities seeking to obtain ICC authority or expand their operations. The information obtained from the conferences will enable the Commission to develop outreach programs to assist minorities. After the hearings are concluded, the record will be analyzed and a report prepared with specific recommendations.

Although there is no specific reference in the statutory language itself to promotion of female involvement in the motor carrier system, the legislative history of the Act stongly admonishes the Commission to be sensitive to and provide an atmosphere where small carriers, minorities, and women may take full advantage of the opportunities provided by the legislation. (Colloquy between Senators Cannon and Packwood, Congressional Record, p. 7685, June 20, 1980.) Consistent with the spirit and intent of the Act, the Commission has invited females to participate in the implementation program enunciated in Ex Parte No. MC-150.

NEED FOR GREATER OR LESSER ENFORCEMENT ACTIVITY

Senator Abdnor: The Motor Carrier Act offers many opportunities for new operations, such as allowing owner-operators to back-haul processed foods. With such opportunities comes the potential for abuses. Wouldn't it be fair to conclude that greater rather than lesser enforcement activities are necessary?

Response: As indicated by the question, the Motor Carrier Act of 1980's opportunities for new operations may well broaden traditional enforcement activities or open up new areas of responsibility.

The cited example--permitting owner-operators to haul food products, limestone and fertilizer under a "fitness only" showing--involves new enforcement responsibiliities. Staff effort may be required to confine the authorized "back haul" movements to the specified commodities, i.e., food and other edible products, agricultural limestone, etc. In addition, staff resources may be needed to police the two conditions placed upon exercise of the authority: (1) that the transportation be performed by the owner-operator in his/her own vehicle, and (2) that such transportation not exceed, on an annual basis, the tonnage amount of "exempt" commodities hauled in the vehicle. Reporting failures may also surface--necessitating some type of response. Any deviation by the owner-operators from the tariff requirements will undoubtedly be the

subject of requests for enforcement action by the regulated carriers. Wherever appropriate, regulated carriers will be urged to utilize the self-help remedies which are available to them.

In addition to "self-help" and enforcement activity where warranted, the Commission will seek to inform the industry of the requirements of this provision through and educational process.

Other changes effected by the Motor Carrier Act of 1980 suggest enforcement priorities are to be found in rate bureau activities, "destructive" competitive practices, lumper practices and safety related "fitness" matters, particularly as they relate to the transportation of hazardous wastes.

SUBCOMMITTEE RECESS

Senator ANDREWS. It has been good to have you here this morning. We appreciate your testimony.

Mr. ALEXIS. Thank you, Mr. Chairman.

[Whereupon, at 12:33 p.m., Tuesday, March 10, the subcommittee was recessed to reconvene Thusday, March 19.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, MARCH 19, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Alfonse M. D'Amato presiding.
Present: Senator D'Amato.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

STATEMENT OF JUDITH T. CONNOR, ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS

SUBCOMMITTEE PROCEDURE

Senator D'AMATO. The subcommittee will come to order. Today we are scheduled to hear testimony from the Urban Mass Transportation Administration concerning their fiscal year 1981 supplemental and fiscal year 1982 budget submissions. We are pleased to have with us Judith Connor appearing with her colleagues on behalf of the agency.

Your current budget request, if I understand it correctly, is for a total of $3,768,950,000 in fiscal year 1982 which compares with the earlier Carter submission of $5,231,650,000. In addition, you have withdrawn an earlier proposal for a fiscal year 1981 supplemental request of $250,000,000 for the interstate transfer program.

PREPARED STATEMENT

I am sure you are well aware, mass transit is an area of considerable importance to my home State of New York. I am extremely pleased to be able to discuss with the new administration initiatives in this area. Before proceeding with your testimony, I would be very pleased if you would introduce your colleague, Ms. Connor, and then proceed to summarize your statement in any way you deem appropriate.

[The statement follows:]

STATEMENT OF JUDITH CONNOR

Good morning Mr. Chairman, members of the Subcommittee. It is a pleasure to be before you today to explain the revised budget for the Urban Mass Transportation Administration and its relation to the President's Economic Program. I would like to introduce Bob McManus, the Acting Administrator of UMTA.

After this statement we will be available for your questions.

The revisions to the FY 1981 budget and amendments to FY 1982 budget which we are proposing today reflect the need to restrain Federal spending as outlined in the President's Economic Program presented to the Joint Session of Congress on February 18, 1981, and as presented in the FY 1982 budget revisions.

While both this appropriation request and the forthcoming mass transit legislation are consistent with the President's Economic Recovery Program, they also reaffirm the commitment of the Federal Government to assist State and local governments and the private business community in providing viable public transportation systems for our Nation's cities and smaller communities. The Federal role is necessary and worthwhile, but one which should have clearer limits.

The Administration's position is that support of capital investments is the more appropriate Federal role. Capital assistance programs can be administered so as to minimize Federal intrusion into State and local decision-making, whereas operating assistance programs tend to invite more Federal oversight. This in essence is the policy theme for the mass transit assistance program. We believe that a reduction in Federal regulations, coupled with some increases in capital assistance for established systems, will to some degree offset the eventual dollar reduction in Federal operating assistance funds.

It seems quite clear that without the availability of Federal capital assistance, it would be extremely difficult for communities to build and maintain modern mass transportation systems. Federal support reduces the financial strain which communities face in meeting the periodically large capital demands that occur. It also makes it possible to establish orderly vehicle replacement programs which might otherwise be impossible given the fluctuations in local financial situations and the current constraints on many local budgets.

A Federal role of capital support should also foster proper attention to maintenance. Therefore, the new authorizing legislation will call for all recipients of Federal capital assistance to demonstrate a technical and financial capability to maintain equipment purchased with Federal assistance.

The main focus of the continuing Federal capital transit assistance program will be on the maintenance and improvement of existing, proven transit systems. Thus, funding for bus and rail modernization projects will be continued and increased in future years. Until the condition of the economy and the Federal budget improve, however, we will defer the funding of new rail starts and extensions to existing rail systems. Transit projects for which the Federal government has already made a formal commitment will be financed to complete usable segments. Categorical programs such as the DPM and Urban Initiatives projects, will be eliminated.

In 1974, the Congress enacted the Section 5 operating assistance program. This program was part of a very well-intentioned effort to expand and improve mass transportation service. It enabled many transit authorities to hold down fares in order to attract people out of their automobiles in an energy-conscious America. In addition, it also had a further effect of keeping transit fares minimal for the economically disadvantaged.

However, since the program's inception, costs of transit operations, like many other elements in our inflation-ridden economy, have dramatically soared. Since fare revenue, by local policy, has not kept pace, deficits of mass transit operations have risen alarmingly and, as a GAO report has suggested, by 1985 may be more than $6 billion per year. Since one of this Administration's primary goals is to reduce the size of the Federal involvement in local activities and to provide a greater flexibility in these activities to local government, a reassessment of the Federal operating assistance role is in order. Our conclusion is that Federal assistance has encouraged artificially constrained fares at a time when the cost of the alternative, the auto, has continued to increase.

The plain fact is that Federal, State, and local governments, each faced with mounting fiscal problems and pressed by many diverse needs, no longer can afford this continually growing deficit. Transit users must be asked to pay a greater share of the cost and transit authorities must seek to make public transportation systems more efficient.

In addition, continually increasing Federal operating assistance contributes to less restraint in transit labor negotiations, and also allows local public officials to acquiesce to demands for marginally productive and excessive service. Federal funds often allow public officials to avoid hard decisions and the necessity to explore more efficient options for meeting certain public transportation needs, options such as ridesharing and a variety of privately-provided transportation solutions.

Even though it is not the intent of Federal operating assistance to encumber local programs, such assistance tends to invite such intrusions. On balance, the Federal involvement has had perverse effects overriding the benefits, and for that basic reason the Administration is seeking to end this involvement through the eventual elimination of the operating assistance program. As an offset to the reduction and eventual elimination of operating assistance, we have initiated a comprehensive review of

proposed and existing UMTA regulations to eliminate burdensome Federal intrusion.

The long-range policy directions that I have just outlined translate into proposed funding changes for FY 1981 and amendments to the previous Administration's budget for FY 1982. Let me first turn to the FY 1981 budget.

Fiscal Year 1981

Presently, UMTA has $2,190 million appropriated for the discretionary capital grant program for FY 1981, and has requested a supplemental appropriation for $250 million for Interstate Transfer projects. The supplemental request is being withdrawn and the FY 1981 program level is being reduced from $2,190 million to $1,980 million by deferring the obligation of $210 million.

The $210 million was taken from the following activities: new starts, new extensions, DPM's; urban initiatives; planning and technical studies; innovative techniques; and technology introduction. With respect to DPM and Urban Initiatives projects, it is our intention to complete projects currently underway and then eliminate the categories. New start projects under current letters of commitment and underway will be completed to operable segments; new projects will be postponed until the Natonal economy and the condition of the Federal budget improves. Lastly, we are requesting recision of the total obligation authority presently available for the Waterborne Demonstration projects (approximately $24.7 million).

The remainder of the present year's program for operating asssistance, formula capital assistance, and support functions remains basically unchanged.

Fiscal Year 1982

Discretionary Capital Grant Assistance

Let me turn to the amendments proposed for the FY 1982 budget. The request for discretionary capital assistance submitted in January of this year by the previous Administration totaled $2,625 million. The program level which we are proposing is $1,725 million, a reduction of $900 million.

This total would be composed of $1,515 million in new budget authority plus $210 million of the carry-over authority that would be deferred from FY 1981, as mentioned earlier. This program level can be accomodated without adding to the $1,600 million currently authorized for FY 1982.

Within the $1,725 million there are sufficient funds to continue the bus and rail modernization programs at approximately their FY 1981 levels. Funds will also be available to continue the support functions of Planning and Technical Studies and Innovative Techniques, which are included in this funding source. The main effect of this proposed level is a reduction in planned funding for new starts, DPM's and Urban Initiatives. It is our intention, however, to continue funding projects for which commitments have been made, at least, to the completion of a useable component.

Formula Grant Assistance

The level of the Section 5 formula operating assistance is proposed to continue at the existing FY 1981 figure of $1,105 million. Even though the proposed authorizing legislation would eliminate this operating assistance by 1985, local and state governments, transit operators, and the business community will have time to react and plan accordingly.

The Tier IV formula bus capital assistance program would continue and increase to $375 million in FY 1982. This increase reflects a commitment

to the Federal capital role which will be further solidified by a yearly increase in this formula capital program included in the proposed legislation.

Interstate Transfers

The amended request provides $600 million level for Interstate Transfers for transit projects. The Interstate Transfer amount for highway substitute projects is included in the budget of the Federal Highway Administration.

Non-Urbanized Formula Grants

The authorizing legislation will also recommend the elimination of operating assistance to non-urbanized areas in FY 1983. In FY 1982, however, new budget authority of $75 million would be available for either capital or operating expenses.

Research and Development

Our program for the development and deployment of innovative technology is budgeted at $44 million for FY 1982. Its emphasis continues to be upon incremental improvements to conventional transit. Since the early 70's this program has been shifting away from developing advanced technology systems. It has emphasized product improvements to bus and rail systems, and the development and improvement of new technological and systems approaches for existing systems and equipment, in order to reduce costs and improve productivity.

The program has built a partnership between government and industry in order to encourage innovation. This has been accomplished by stimulating private industry and local government to apply their creative talent in adopting new approaches, developing improved equipment, and implementing innovative technological approaches which improve the maintainability,

reliability, safety, and productivity of transit systems. The level proposed emphasizes more strongly the immediate applicability and utility of these developmental efforts, and is, therefore, expected to have more focused and more immediate economic benefits. It recognizes that the long-term interest of the transit industry is served only through continued development of new concepts and the building of a strong industrial base through technological excellence.

Thus, a portion of the program is focused towards the development of subsystem technologies which are applicable not only to present-day systems, but also to potential future transit systems which should provide better service at lower cost.

Other

The remaining requests contained in our amendments include: Service and Methods Demonstration, $11 million; Planning Methodology and Technical Support, $4 million; Policy Development, Program Evaluation, and Budget, $3.25 million; Management Techniques and Methods, $4.3 million; Managerial Training Grants, $1.25 million; and University Research and Training, $2.2 million.

Staffing

We are requesting an Administrative line item level of almost $29 million. This level will support staffing requirements which will bring our total personnel to 574. Management audits have shown the necessity for a critical minimum number of staff necessary for proper program management. Coupled with proposed program reductions the request will support the manpower resources needed to competently manage the program.

Closing

In closing, we would finally note that transit is a labor intensive industry where wages are characteristically adjusted to the Consumer Price Index. The transit industry, therefore, suffers more than most from the effects of inflation. If inflation can be controlled through the President's Economic Recovery Program the transit industry will benefit in gaining better control over its own inflation-sensitive costs. The proposal submitted today hopefully sets us in the right direction.

JUDITH T. CONNOR
ASSISTANT SECRETARY OF TRANSPORTATION
FOR POLICY AND INTERNATIONAL AFFAIRS

Judith T. Connor, a former airline executive and high-ranking government official, has been nominated by President Reagan to serve as Assistant Secretary of Transportation for Policy and International Affairs.

She will return to government from her current position as Director of International Affairs at Pan American World Airways in New York City, where she was involved in developing competitive strategies for the airline's routes, scheduling and pricing.

Previously, Mrs. Connor served at the Department of Transportation in the Ford Administration as Assistant Secretary of Transportation for Environment, Safety and Consumer Affairs. She held that post from October 1975 to January 1977, after being promoted from Acting Administrator for DOT's Urban Mass Transportation Administration. She also had been Special Assistant to the UMTA Administrator, beginning in 1973.

Before coming to DOT originally, Mrs. Connor was employed from 1971 to 1973 at the U.S. Department of Commerce in Washington, where she attained the position of Director of the Business Policy Analysis Division. She also was employed briefly in 1971 by the U.S. Office of Economic Opportunity.

Before entering government, Mrs. Connor worked for Trans World Airlines in New York City in 1968-69 and for the Pacific Telephone Co. in San Francisco from 1965 to 1968.

A U.S. citizen, Mrs. Connor was born in Toronto, Ontario, on March 6, 1939. She received her bachelor's degree from Wellesley College and her master's degree in business administration from Columbia University.

She is married to James E. Connor. The couple's permanent residence is in Pennsylvania.

BIOGRAPHY

ROBERT H. MCMANUS

ASSOCIATE ADMINISTRATOR FOR PLANNING
MANAGEMENT AND DEMONSTRATIONS

Robert H. McManus is currently serving as Associate Administrator for Planning, Management and Demonstrations of the Urban Mass Transportation Administration. His program responsibilities include research and demonstration activities related to improving all aspects of managing public transportation systems, and to providing a higher quality of service for users; the managerial training grant program; the planning grant program, and the planning methods and support program. He also serves as a counselor to the Administrator on program and policy evolution, and the effective functioning of UMTA.

Mr. McManus has been associated with the mass transportation program in various executive capacities since joining the Federal Government in December 1965. Initially he managed the capital grant and technical studies grant programs as Director of Project Development, when the program was administered in the Department of Housing and Urban Development. He was chairman of the first Design Awards Program for Urban Mass Transportation, conducted in 1968.

On transfer of the program to the Department of Transportation in mid-1968 he joined the newly formed Office of Program Planning as Director of Planning Coordination, responsible for relating the mass transportation programs to those of other DOT Administrations and of other Federal agencies; and for policy development associated with the planning process. He also served as Acting Associate Administrator for Program Planning (the policy office at that time), as Associate Administrator for Transit Planning, and Associate Administrator for Transportation Management and Demonstrations. He was Acting Administrator and Acting Deputy Administrator of UMTA during the transition between political administrations in 1977.

Prior to his Federal service, Mr. McManus spent several years in municipal management, beginning in 1948 as a research assistant with the Governmental Research Institute, Inc., a taxpayers research organization conducting financial and management studies of the Hartford, Connecticut City Government. He became executive assistant to the City Manager of Hartford in 1950; City Manager of Rome, New York in 1955; and the first City Manager of Fond du Lac, Wisconsin in 1958, where he served until joining the Federal Government. Mr. McManus was President of the Wisconsin City Managers Association, Vice President of the League of Wisconsin Municipalities, and received the Distinguished Service Award of the Fond du Lac, Wisconsin Jaycees as outstanding young man of the year 1959.

Mr. McManus was born in Hartford, Connecticut on September 12, 1924. He was graduated from Wesleyan University (Connecticut) in 1947 receiving an A.B. Degree with Distinction in Government, and was elected to Phi Beta Kappa. The following year he was a Fellow at the Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University, receiving an M.S. Degree in Public Administration. He served in the United States Naval Reserve during the years 1943-46.

He is a member of the American Society for Public Administration, the International City Management Association, and the Group I Council (Transportation Systems Planning and Administration) of the Transportation Research Board.

Mr. McManus resides with his wife, Barbara, and their children in Potomac, Maryland. He is especially interested in the sport of swimming, officiating in local meets and having served on the board of directors of a swim club.

INTRODUCTION OF ASSOCIATES

Ms. CONNOR. Thank you, Senator. I have to my right Mr. Robert McManus, who is the Acting Administrator of UMTA, and behind me are staff members who are here to testify on the specifics of the program and the budget as needed. I intend to read the prepared statement and then will be available for any questions you wish to ask.

FISCAL YEAR 1981 AND 1982 REVISIONS

The revisions to the fiscal year 1981 budget and amendments to fiscal year 1982 budget which we are proposing today reflect the need to restrain Federal spending as outlined in the President's economic recovery program presented to the joint session of Congress on February 18, 1981, and as presented in the fiscal year 1982 budget revisions.

While both this appropriation request and the forthcoming mass transit legislation are consistent with the President's economic recovery program, they also reaffirm the commitment of the Federal Government to assist State and local governments and the private business community in providing viable public transportation systems for our Nation's cities and small communities. The Federal role is necessary and worthwhile, but one which should have clearer limits.

The administration's position is that support of capital investments is the more appropriate Federal role. Capital assistance programs can be administered so as to minimize Federal intrusion into State and local decisionmaking, whereas operating assistance programs tend to invite more Federal oversight. This in essence is the policy theme for the mass transit assistance program. We believe that a reduction in Federal regulations coupled with some increases in capital assistance for established systems, will to some degree offset the eventual dollar reduction in Federal operating assistance funds.

It seems quite clear that without the availability of Federal capital assistance, it would be extremely difficult for communities to build and maintain modern mass transportation systems. Federal support reduces the financial strain which communities face in meeting the periodically large capital demands that occur. It also makes it possible to establish orderly vehicle replacement programs which might otherwise be impossible given the fluctuations in local financial situations and the current constraints on many local budgets.

A Federal role of capital support should also foster proper attention to maintenance. Therefore, the new authorizing legislation will call for all recipients of Federal capital assistance to demonstrate a technical and financial capability to maintain equipment purchased with Federal assistance.

The main focus of the continuing Federal capital transit assistance program will be on the maintenance and improvement of existing proven transit systems. Thus, funding for bus and rail modernization projects will be continued and increased in future years. Until the condition of the economy and the Federal budget improve, however, we will defer the funding of new rail starts and extensions to existing rail systems. Transit projects for which the Federal Government has already made a formal commitment will be financed to complete usable seg-

ments. Categorical programs such as the DPM and Urban Initiatives projects, will be eliminated.

In 1974, the Congress enacted the section 5 operating assistance program. This program was part of a very well-intentioned effort to expand and improve mass transportation service. It enabled many transit authorities to hold down fares in order to attract people out of their automobiles in an energy-conscious America. In addition, it also had a further effect of keeping transit fares minimal for the economically disadvantaged.

However, since the program's inception, costs of transit operations, like many other elements in our inflation-ridden economy, have dramatically soared. Since fare revenue, by local policy, has not kept pace, deficits of mass transit operations have risen alarmingly and, as a GAO report has suggested, by 1985 may be more than $6 billion per year. Since one of this administration's primary goals is to reduce the size of the Federal involvement in local activities and to provide a greater flexibility in these activities to local government, a reassessment of the Federal operating assistance role is in order. Our conclusion is that Federal assistance has encouraged artificially constrained fares at a time when the cost of the alternative, the auto, has continued to increase.

The plain fact is that Federal, State, and local governments, each faced with mounting fiscal problems and pressed by many diverse needs, no longer can afford this continually growing deficit. Transit users must be asked to pay a greater share of the cost, and transit authorities must seek to make public transportation systems more efficient.

In addition, continually increasing Federal operating assistance contributes to less restraint in transit labor negotiations, and also allows local public officials to acquiesce to demands for marginally productive and excessive service. Federal funds often allow public officials to avoid hard decisions and the necessity to explore more efficient options for meeting certain public transportation needs, options such as ridesharing and a variety of privately provided transportation solutions.

Even though it is not the intent of Federal operating assistance to encumber local programs, such assistance tends to invite such intrusions. On balance, the Federal involvement has had perverse effects overriding the benefits, and for that basic reason the administration is seeking to end this involvement through the eventual elimination of the operating assistance program. As an offset to the reduction and the eventual elimination of operating assistance, we have initiated a comprehensive review of proposed and existing UMTA regulations to eliminate burdensome Federal intrusion.

The long-range policy directions that I have just outlined translate into proposed funding changes for fiscal year 1981 and amendments to the previous administration's budget for fiscal year 1982. Let me first turn to the fiscal year 1981 budget.

FISCAL YEAR 1981

Presently, UMTA has $2,190 million appropriated for the discretionary capital grant program for fiscal year 1981, and has requested a supplemental appropriation for $250 million for interstate transfer projects.

The supplemental request is being withdrawn, and the fiscal year 1981 program level is being reduced from $2,190 million to $1,980 million by deferring the obligation of $210 million.

The $210 million was taken from the following activities: new starts, new extensions, DPM's; urban initiatives; planning and technical studies; innovative techniques; and technology introduction. With respect to DPM and urban initiative projects, it is our intention to complete projects currently underway and then eliminate the categories. New start projects under current letters of commitment and underway will be completed to operable segments; new projects will be postponed until the national economy and the condition of the Federal budget improve. Lastly, we are requesting rescission of the total obligation authority presently available for the Waterborne Demonstration projects—approximately $24.7 million.

The remainder of the present year's program for operating assistance, formula capital assistance, and support functions remains basically unchanged.

1982 DISCRETIONARY GRANTS

Let me turn to the amendments proposed for the fiscal year 1982 budget. The request for discretionary capital assistance submitted in January of this year by the previous administration totaled $2,625 million. The program level which we are proposing is $1,725 million, a reduction of $900 million.

This total would be composed of $1,515 million in new budget authority plus $210 million of the carry-over authority that would be deferred from fiscal year 1981, as mentioned earlier. This program level can be accommodated without adding to the $1,600 million currently authorized for fiscal year 1982.

Within the $1,725 million there are sufficient funds to continue the bus and rail modernization programs at approximately their fiscal year 1981 levels. Funds will also be available to continue the support functions of planning and technical studies and innovative techniques, which are included in this funding source. The main effect of this proposed level is a reduction in planned funding for new starts, DPM's and urban initiatives. It is our intention, however, to continue funding projects for which commitments have been made, at least, to the completion of a usable component.

FORMULA GRANT ASSISTANCE

The level of the section 5 formula operating assistance is proposed to continue at the existing fiscal year 1981 figure of $1,105 million. Even though the proposed authorizing legislation would eliminate this operating assistance by 1985, local and State governments, transit operators, and the business community will have time to react and plan accordingly.

The tier IV formula bus capital assistance program would continue and increase to $375 million in fiscal year 1982. This increase reflects a commitment to the Federal capital role which will be further solidified by a yearly increase in this formula capital program included in the proposed legislation.

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INTERSTATE TRANSFERS

The amended request provides $600 million level for interstate transfers for transit projects. The interstate transfer amount for highway substitute projects is included in the budget of the Federal Highway Administration.

NONURBANIZED FORMULA GRANTS

The authorizing legislation will also recommend the elimination of operating assistance to nonurbanized areas in fiscal year 1983. In fiscal year 1982, however, new budget authority of $75 million would be available for either capital or operating expenses.

RESEARCH AND DEVELOPMENT

Our program for the development and deployment of innovative technology is budgeted at $44 million for fiscal year 1982. Its emphasis continues to be upon incremental improvements to conventional transit. Since the early 1970's this program has been shifting away from developing advanced technology systems. It has emphasized product improvements to bus and rail systems, and the development and improvement of new technological and systems approaches for existing systems and equipment, in order to reduce costs and improve productivity.

The program has built a partnership between Government and industry in order to encourage innovation. This has been accomplished by stimulating private industry and local government to apply their creative talent in adopting new approaches, developing improved equipment, and implementing innovative technological approaches which improve the maintainability, reliability, safety, and productivity of transit systems. The level proposed emphasizes more strongly the immediate applicability and utility of these developmental efforts and is, therefore, expected to have more focused and more immediate economic benefits. It recognizes that the long-term interest of the transit industry is served only through continued development of new concepts and the building of a strong industrial base through technological excellence.

Thus, a portion of the program is focused toward the development of subsystem technologies which are applicable not only to present-day systems, but also to potential future transit systems which should provide better service at lower cost.

OTHER

The remaining requests contained in our amendments include: service and methods demonstration, $11 million; planning methodology and technical support, $4 million; policy development, program evaluation, and budget, $3.25 million; management techniques and methods, $4.3 million; managerial training grants, $1.25 million; and university research and training, $2.2 million.

STAFFING

We are requesting an administrative line item level of almost $29 million. This level will support staffing requirements which will bring our total personnel to 574. Management audits have shown the necessity for a critical minimum number of staff necessary for proper pro-

gram management. Coupled with proposed program reductions the request will support the manpower resources needed to competently manage the program.

CLOSING

In closing, we would finally note that transit is a labor intensive industry where wages are characteristically adjusted to the Consumer Price Index. The transit industry, therefore, suffers more than most from the effects of inflation. If inflation can be controlled through the President's economic recovery program the transit industry will benefit in gaining better control over its own inflation-sensitive costs. The proposal submitted today hopefully sets us in the right direction.

This is the end of my prepared statement. Thank you.

SUBMISSION OF WRITTEN TESTIMONY

Senator D'AMATO. Thank you very much. I feel constrained to note for the record that UMTA has failed to comply with the subcommittee's rules concerning submissions of written testimony. That rule is that it be submitted 7 days in advance. I understand that we have only received this testimony late in the day yesterday, and I am wondering if you can explain why that occurred?

Ms. CONNOR. Well, sir, I think the main problem had been primarily the speed with which both the budget and legislative package have been developed in this particular round in the new administration, and, frankly, we have been trying desparately to catch up to the early schedule of the hearings. I apologize for not having this ready earlier. We were indeed making some changes as to who would actually conduct the testimony right up until yesterday.

Senator D'AMATO. I understand then as the Assistant Secretary, you are in a capacity to speak for UMTA?

Ms. CONNOR. Yes, sir, I have been confirmed by the Senate. I am the Assistant Secretary for Policy and International Affairs. The Administrator-designate is not yet confirmed.

Senator D'AMATO. It also appears that we haven't yet received any detailed justification from UMTA on their new fiscal year 1982 submission. When can we expect to receive this?

Ms. CONNOR. The Secretary testified earlier this week that we are still reviewing the program. We have not been able to provide those submissions because we genuinely do not yet have numbers available for you, but we would hope that within the next couple of weeks we would be in a better position to provide them for you.

Senator D'AMATO. I think it might be necessary, and I hope you would agree, that we might very well indeed require your presence to come back to give us, or someone from UMTA, to give us that detailed information which is certainly necessary. Otherwise, we have just the barest of outlines by which to proceed.

Ms. CONNOR. I understand that, sir, and I certainly would hope that the new Administrator would be confirmed by that time, and be able to present it to you himself.

Senator D'AMATO. Therefore, we have an understanding that the agency will reappear, because we are not in a position to examine in the kind of depth and detail which will be necessary to proceed on.

Ms. CONNOR. We can reappear at your election or submit the information for the record and be more than willing to work with you and your staff if that is sufficient.

INTERSTATE TRANSFER PROGRAM

Senator D'AMATO. I will speak to the chairman of the committee, and if we think it is necessary, I want to serve notice, so to speak, and it very well may be, because I know that Senator Hatfield is deeply concerned about certain areas which we will get into now. I am deeply concerned about certain areas, and I think that the public is and we have a right to have this information spelled out in detail. But, in the absence of detailed justification material, we look forward to hearing from you in a general vein. Then in that vein, can you give us some details concerning the basis for the decision to withdraw the $250 million supplemental request from the interstate transfer program?

In other words, one of the things in your statement that you indicate is a withdrawal. My questions are: How did they come to that figure, and why did they agree to withdraw the $250 million from the interstate transfer fund.

Ms. CONNOR. Senator, that was a sum that we believed would not necessarily have to be committed in this year and that it would be better programed for the following fiscal year's budget than fiscal year 1981.

Senator D'AMATO. What do you see in the future for the program? Is this a move by the administration to eliminate the transfer funding?

Ms. CONNOR. No, sir. It is not a move in that direction.

Senator D'AMATO. What do you project in the future years?

Ms. CONNOR. I do not have any projections available at this time for you regarding the transfer projects.

Senator D'AMATO. What is the total outstanding dollar amount request for the interstate transfer projects, and how does that compare with the availability of the budget authority?

Ms. CONNOR. If you would permit, I would refer that question to Mr. McManus.

OUTSTANDING REQUESTS FOR INTERSTATE FUNDS

Mr. MCMANUS. In round numbers, the value of the withdrawn entitlements is $5.5 billion, and those projects have to be substituted for by September 1983 and under construction or with contracts for construction by September 1986. With respect to your basic question, Mr. Chairman, the general position of the administration is that the construction progress on these substitution projects is such that the amounts of money that need to be appropriated can be stretched out and the annual levels can be better determined by a little closer correlation with the actual project planning. And that, fundamentally, is the reason for the withdrawal request.

Senator D'AMATO. Are we saying that there would not be a need for the $250 million in fiscal year 1981?

Mr. MCMANUS. In fiscal year 1981.

Senator D'AMATO. Do you have the $250 million?

Mr. McMANUS. We were requesting the supplemental, and the supplemental request is being withdrawn.

Senator D'AMATO. And you are saying that presumably there is no need for the $250 million; that you don't have enough in the way of requests to justify that?

Mr. McMANUS. I'm saying that it needn't be paid out and it needn't be obligated at this time in order to keep the substitution projects that are in the works going.

FUTURE OF THE INTERSTATE TRANSFER PROGRAM

Senator D'AMATO. What do you see for the future of this program?

Mr. McMANUS. The total exposure above the $5.5 billion? It is uncertain, but the figure that I have seen is that the $5.5 billion might be added to by roughly another $3 billion. We would be glad to submit some tables for the record indicating what knowledge we have at present about that whole subject.

BUDGET AUTHORITY AND PROGRAM LEVELS

Senator D'AMATO. In the table at the beginning of your justifications you show major differences between budget authority levels and program levels. Do those differences reflect carryovers from previous budget authorizations? How do you reconcile those differences?

Mr. McMANUS. It would reflect a carryover. If you are referring to——

Senator D'AMATO. Right in the beginning of the justifications. You show major differences between the authority levels and the program levels. Do those differences reflect carryovers from previous budget authorizations? Under urban formula grants, $1.55 billion actual appropriation, $630 million and so on.

Mr. McMANUS. The answer is, yes.

Senator D'AMATO. What is the answer? Are you saying that yes is the answer in all cases?

Ms. CONNOR. Senator, we are not quite sure what table you are looking at.

Senator D'AMATO. Comparative dollars data, Department of Transportation, urban mass transportation, urban mass transportation fund, comparative data, dollars in thousands.

Ms. CONNOR. Yes, we have that.

Senator D'AMATO. First page, urban discretionary grants, two, urban formula grants, three, interstate transfer grants.

Ms. CONNOR. We have it.

Senator D'AMATO. Let's discuss the Carter justification, fiscal year 1980 appropriation, then the actual 1980; then we'll carry that through. As I said you show major differences between the budget authority levels and the program levels. How do you reflect those differences? Do those differences reflect budget carryovers from the previous budget authority?

Ms. CONNOR. Yes, it reflects a carryover.

FEDERAL ROLE IN MASS TRANSIT

Senator D'AMATO. How do you characterize the current Federal role in mass transit?

Ms. CONNOR. As you know, we have been undergoing a substantial review of the proper Federal role. It is our determination that that role should be limited in its scope and focused on rail modernization and upgrading, bus replacement and purchases, and that the funding of these programs should be increased as we assist the local areas to make purchases of that sort. However, we have made a determination that the operating assistance program is not one that we would like to continue to fund in the long-term, and that, therefore, we will be phasing out that program.

ELIMINATION OF OPERATING SUBSIDIES

Senator D'AMATO. What impact do you see on the urban mass transit system in regard to a phaseout or elimination of operating subsidies over the next 4 years? Have you done any studies on that in regard to what the impact will be?

Ms. CONNOR. We have not done specific studies. However, we have taken a careful look at the needs of the major urban areas and an evaluation of the sums that they would have been receiving and how they would be phased out over the period of the next 4 years. As you know, 1981–82, the budget will stay at the present level. It will be phased out over 1983–84.

In the course of phasing out those programs, we will be changing the emphasis in order to provide assistance to those areas that need it most in order to soften the effects of the phaseout of that program. In our opinion, that will give the local areas an opportunity to evaluate other sources of revenues.

Senator D'AMATO. If my reading of the new mass transit authorization is correct, you are proposing to rely much more on ridership and State and local government support in operating transit systems. Is that a fair analysis?

Ms. CONNOR. That is correct.

Senator D'AMATO. One of your justifications is that the price for ridership for automobiles has gone up and that the fare box has not gone up correspondingly? Is it to be a national goal that mass transit should go up correspondingly with respect to private ridership in automobiles? I thought it was the other way around.

Ms. CONNOR. It is an objective on the part of the departmental programs across the board to have the users of our systems, whether they be railroad or aviation or transit, provide as much of the funding as is feasible.

Senator D'AMATO. As is feasible?

Ms. CONNOR. Yes, sir.

Senator D'AMATO. But there is no objective to see to it that ridership via mass transit costs as much if not more than those who utilize the automobile?

Ms. CONNOR. That certainly would not be the objective.

Senator D'AMATO. The statement that you have made says that here we have those who rely upon the alternative form of transportation vis-

a-vis automobiles as opposed to mass transit, that that has gone up in corresponding increase; whereas transportation by mass transit users, has not gone up in correlation? Is this a justification for cutback in terms of mass transportation?

Ms. CONNOR. It is not the justification for the cutback. However, we do believe that users of the transit systems can and should bear a greater cost associated with the use of those systems.

Senator D'AMATO. Has there been an analysis to show that they are not paying a fair share?

Ms. CONNOR. Of course, it is difficult to determine in the area of transit what a fair share actually is.

COMPARISON OF FARE BOX CONTRIBUTIONS

Senator D'AMATO. Have we arrived at a balanced position for ridership cost? How do fare box contributions in New York City compare with other areas of the country?

Mr. MCMANUS. If I may comment here, we have, as a matter of fact, a contract with the U.S. Conference of Mayors to look into the financial problems of transit and have just received a draft report. One of the conclusions of the mayors—and this was a survey of about 150 cities—is that there needs to be some self-conscious policy on the part of local authorities about the proportion of operating cost that ought to be met from the fare box. And the general consensus is that the proportion may be over 40 percent.

The amount that is met from the fare box varies from city to city, and in New York it happens to be a substantial proportion. And in other cities it varies from 10 percent to over 60 percent.

Senator D'AMATO. Question again. How do fare box contributions, let's say in New York City, compare with other areas of the country?

Mr. MCMANUS. The fare box contributions are relatively higher than they are in other cities.

Senator D'AMATO. You are saying that in New York City the fare box contribution is higher?

Mr. MCMANUS. Relatively higher.

Senator D'AMATO. Would you say in New York State, in particular, it is relatively higher than other areas of the country?

Mr. MCMANUS. I don't know about New York State, sir.

Senator D'AMATO. But in New York City, you are saying, for the record, that the public is paying higher, making a higher contribution than they are in other areas?

Mr. MCMANUS. With respect to the proportion of operating cost.

Ms. CONNOR. However, the absolute fare in New York City is not necessarily higher than those in the rest of the country.

Senator D'AMATO. You are talking about what the public, the rider, is paying. The rider's contribution at the fare box in New York City is higher than the average throughout the Nation?

Mr. MCMANUS. With respect to the proportion of operating cost. It is a function of volume and cost—

EFFECT OF FARE INCREASE ON RIDERSHIP

Senator D'AMATO. Let's talk about volume and cost and ridership. I will say now that I am deeply concerned that if we put ourselves into a position where we talk about a free-market economy here and people don't have too much in the way of alternatives other than the automobile, that we force people to leave a region if costs for transportation are out of line with what they can pay, or we force them to an alternative that I don't believe is acceptable in many cases—that is, the use of the automobile. We are concerned, because I thought we had a problem in terms of energy in this Nation and the conservation of energy; we are interested in cutting down on the use of the automobile for all kinds of reasons: conservation, the battle against pollution, and the environment.

It would seem to me that we should have done some analysis concerning the effect of fare increases on ridership. What would, for example, a 50-percent increase in the fares have on the ridership? Have we done any analysis so that we can demonstrate if we will drive more people away? How much do we have to increase the fares? What analysis have you done concerning the effect of increased fares on ridership?

Mr. MCMANUS. There has been some analysis done by our policy office on that question. Generally—I will have to generalize, because I don't have figures in front of me—but generally, for the larger cities like New York, Boston, Chicago, and so on, the conclusion is that the ultimate elimination of operating subsidies would bring about—if there was no other policy adjustment, just looking at fares—adjustments in fares varying from 5 cents a year to roughly 18 cents a year for the larger cities of over 1 million population. So if there were no adjustment in subsidy policy in those cities, that would be the impact on fares.

With respect to small cities though, the result of the elimination of operating subsidies would be that the dropoff in ridership would be such that if you didn't change the local subsidy level, that you could not meet the reduction in revenue with an increase in fares. In smaller cities you absolutely would have to look at a different mix of service. You would have to look carefully at some conventional services that have been extended into low density areas for which you might want to substitute other types of service. You would have to look at your subsidy policy and service levels as well as your fare policy in order to think things through. That is the long-term play out of the administration's policy position.

Senator D'AMATO. Mr. McManus, let's go back to the small cities, because I have had a number of small cities speak to me. Their general comments have been that if we have an elimination of the operating subsidies, they would have to literally close down their operation because the fare structure would have to be increased at such a dramatic level, in some cases doubling of the fare. There would be literally no ridership available. Is that a fair analysis?

Mr. MCMANUS. Yes, that is what I tried to say, maybe in a little bit more arcane language. That is correct. But what they would have to do is adjust their subsidy policy and the type of service that is offered. That is the point.

IMPACT ON SMALL CITIES

Senator D'AMATO. What we are saying, in essence, then—cutting through all of this business about the reason we find such desperate positions is that the unions have seen a money trough and have dug in. Let's move to the small cities and the smaller communities where we don't have that problem. If that if we don't continue some form of subsidy other than the fare box, because it is not reasonable to expect that you can take a fare of $1 and raise it to $2, just to operate these systems, they will have to, of necessity, raise additional tax dollars from local government?

Mr. MCMANUS. Local and State levels, yes, sir.

Senator D'AMATO. On the one hand I hear people saying, an infusion of operating funds is absolutely not necessary; they can do more locally at the fare box; but on the other hand, I am hearing you say in terms of your testimony that it is not reasonable to expect the riders will be able to support a public transit system in many of our smaller communities because the cost of that will go far beyond their means. You are going to have to have some type of public subsidy. The question comes out to, where does the public subsidy come from? Does it come from the Federal, or does it come from the State and local government? Isn't that the case?

Ms. CONNOR. I think, Senator, it is not as black and white as that. I think there are a number of options any community has, large or small. They have the fare box.

Senator D'AMATO. Eliminate the bus lines.

Ms. CONNOR. They have the fare box. They can indeed look at the system itself to determine whether or not the services can be adjusted in order to improve the efficiency of it. State and local taxes are another source. I think there is a genuine area for contribution on the part of the private sector in transit.

Mr. MCMANUS. I don't think we should conclude that all of the service that is out there in small cities is cost effective, because some of it is not. It is an extension of conventional transit modes that has been easy to do because the increase in the Federal resource available from the operating assistance or section 5 formula has been such that it was an easy thing for local authorities to just extend service and not really look very hard at these cost effective issues. With respect to the larger cities, it is a different problem. But in the smaller cities, those things did happen, and the management companies that run those systems would say so I am sure.

Senator D'AMATO. We have touched on small cities, and I had asked you, give us an analysis, as to the impact—and I am sure that you have done some studies—that this budget would have on those small cities and their transit lines?

Mr. MCMANUS. I will be glad to provide what is available from the analyses that we have done on this very question.

Senator D'AMATO. I would like you to work closely with the committee in this area; there is no sense for you to look for one thing and we to ask you for another. I am interested in the impact that this would have vis-a-vis the small transit operations. The question is, I don't know whether you have the facts, but what about the ability of local govern-

ment units to finance, to pick up the slack in these systems? And aren't we really talking about, in certain areas, a total elimination of public transit?

Mr. McManus. We needn't be. We are not saying that public transit systems need not be subsidized. We are saying that the operating subsidy should be picked up at a different level such as it is in correlation with service levels and with the use of different modes which is something that needs to be given more attention in many cities.

BLOCK GRANT PROGRAM

Senator D'Amato. What consideration has been given ultimately to establishing a block-grant approach to UMTA activities rather than a more specific categorical assistance program?

Ms. Connor. Are you referring to an operating assistance block-grant program?

Senator D'Amato. UMTA, yes.

Ms. Connor. For operating or capital or both?

Senator D'Amato. Both.

Ms. Connor. Both.

Senator D'Amato. I know what you are saying for operating. Your block grant would be nothing.

Ms. Connor. The position is to phase out the operating assistance program, yes.

Senator D'Amato. There are those who don't share that position, I want you to know. Maybe not within the administration, but certainly on the Hill.

Ms. Connor. We understand that.

Senator D'Amato. What about the block-grant approach activities rather than the categorical assistance programs in terms of a method by which to cut down. I don't know if you have seen an article, Daily News, March 8, 1981, in which Mr. Ravitch indicates that he is thinking of converting from mass transit funding into block grants, possibly to be used to hold down fare increases but allow the MTA to save hundreds of million of dollars when it buys new equipment as a manner of being a little more cost effective. Have you had an opportunity to read the article? Mr. Ravitch has spoken to Mr. Stockman in regard to this.

Ms. Connor. No. Actually, Mr. Ravitch is going to be coming in to see the Secretary on the 24th of this month. I haven't had an opportunity to acquaint myself with his proposal.

Senator D'Amato. I would be appreciative if you would review that area of the block-grant development in terms of giving more flexibility to the local administrations and maybe being able to speed up the process in terms of acquisition of new equipment, and capital improvements; that has been over the years, a very cumbersome one. It would go along with giving the most responsibility and flexibility to the local governments; it would give the local government the greatest possible latitude. What consideration has been given by transportation people in terms of extending Federal investment credits to public transit users? Do you have any suggestions to use this as a revenue measure? Philosophically have you begun to grapple with that kind of an approach to increased ridership?

Mr. McMANUS. I am not sure exactly what the question is. With respect to having subsidies for transit by employers treated in the same way as employer subsidies for parking, we have given that some thought and have advocated that if employer subsidies for parking are not treated as income to the employee then neither should subsidies for transit. I don't know whether that is what you are getting at. The other aspect of that question which might be more to the point is the use of users' subsidies where the user is subsidized instead of the provider of the transportation service. And we have a number of programs dealing with that. If that is the question, I would be glad to talk about those efforts.

COSTS OF AUTO VERSUS TRANSIT TRAVEL

Senator D'AMATO. Let's return to something that we spoke about earlier on page 4 of your statement when you talked about artificially constrained fares, and the cost of automobile travel having increased. Can you give me an idea what you think the relationship should be? Are we using that as a guide or as a tool for what the ridership should be paying?

Ms. CONNOR. As I indicated, Senator, I think it is very difficult to determine at this stage what a "fair price" is. However, there is no question that the automobile user, in a period when the energy costs are going up, is increasingly bearing the burden and that in an environment where the cost of operating automobiles are increasing so rapidly, it is reasonable to consider the fact that the fare box contribution for transit could also reasonably increase.

Senator D'AMATO. Doesn't mass transit feel those ravages of inflation that go beyond the ability of the passenger, the commuter to control?

Ms. CONNOR. As I understand it, transit costs have increased at about 13 percent a year over the last several years, but the fare box, on the other hand, has only increased at about 3 percent a year.

Senator D'AMATO. That is the fare box.

Ms. CONNOR. The contribution of the fare box.

Senator D'AMATO. And the contributions from State and local governments have also increased. Have you measured that? State and local governments have been increasing their outlays very substantially in aiding mass transit.

Ms. CONNOR. We are in an economy where everybody's costs have been increasing and our objective, obviously, is to try to stop that. This is an area where we feel that it is more important for the Federal Government to come to grips with the problems of the national economy and that these concerns, which are major concerns, should be addressed at the local level.

Senator D'AMATO. Hasn't anyone taken into consideration the relationship of the use of mass transit to bring people to work, to jobs, if we raised the cost levels? In some of the small cities where you double the cost and effectively prevent people from having the ability to use mass transit to get to work, to jobs, several things take place. Jobs leave or people go elsewhere for those jobs, or people just can't get to work. Shouldn't it be a national concern to see to it that mass transit does not go up, and the fare box does not go up correspondingly with inflation? Isn't there room for that kind of position and thinking, or do we just put that aside?

Ms. CONNOR. Of course, it is a national concern that people are able to get to work, whether it is in rural or urban areas, but it is also our belief that those decisions can most appropriately be made at the local level and that it is not easy to sit in Washington and administer a program which is so specific to the needs of the locality and do it fairly, given the fact that there is a substantial burden to be borne by the general taxpayer in order to do that.

RIDERSHIP IN NEW YORK

Senator D'AMATO. You know 35 percent of the ridership comes out of one area. Isn't that right?

Ms. CONNOR. Yes.

Senator. D'Amato. That is a special concern when you see an area that will be impacted to the extent that New York will be impacted as a result. I have seen the cutbacks in food stamps. I have seen the cutbacks in agricultural support. I have seen the cutbacks in CETA. My State, New York, is taking it more than, or just as much as any other State. Now when I see the proposed cutbacks in mass transit and for the guise of equally distributing something that the users, who in most cases have no other alternative, I want to tell you, I think we are taking a very myopic look at a situation that will spell an economic decline and wind up costing this Nation much more in terms of loss of jobs and productivity. In terms of the people you are going to throw out of work, these people will be going on the public welfare rolls in some cases. I absolutely am appalled by what I see as a shocking lack of backup material and specifics, because you haven't submitted to this committee any specifics in terms of studies. Rather, when Mr. McManus does talk, he says, Oh, yes, in certain areas the cost for the smaller transit systems will be such that they will have to be curtailed and eliminated.

You didn't say that. I said that, but in fact that is what it comes down to, because you know in Rochester you can't take the fare box and double the cost and think that you are going to run a transit system, or that there is enough money locally in that area to pick up the slack. You can take small city after small city and that is the case.

Ms. CONNOR. Senator, one thing I would like to say is that I have spent the last 4 years living in Manhattan. I am very familiar with the needs of that transit system. We are not pulling back from support of mass transportation. We are trying to restructure the program into a position which we think is appropriate for the Federal role. In the case of capital assistance, we will be staying substantially in that business and will in fact be expanding our support of capital purchases. In New York, specifically, we will be restructuring the phaseout of the operating program so that there is greater support for New York in the next few years in order to assist the city.

I do not believe that it is as obvious as apparently you might feel that the local areas will have no options available except to close down their systems. It is our belief that there are substantial resources for other means of funding, and we believe that the presence of the Federal funding discourages local communities from seeking more creative means of funding systems that are best suited to their local needs.

Senator D'AMATO. Let's talk specifically about the one area that will be left. That is, section 3, capital programs. What Federal participation do we have now, is it an 80–20 formula?

Ms. CONNOR. It is currently an 80–20 formula.

Senator D'AMATO. Let me ask you: Within the framework of future programs of section 3, what will the percentages be?

Ms. CONNOR. Our proposal changes the language from an 80–20 mandated formula to and up to 80 percent.

Senator D'AMATO. Up to?

Ms. CONNOR. Yes, sir.

Senator D'AMATO. What is the variable on that? How do we determine if you get 80 percent or if you get 50 percent?

Ms. CONNOR. The reason we are seeking that variable is to be able to better assess the ability of local areas to provide aid on a local share which would permit the Federal dollar to go further to the benefit of other systems.

Senator D'AMATO. What criteria has been established to determine whether or not a district or an area gets 50 percent, 60 percent, 70 percent, or the magic up to 80 percent?

Ms. CONNOR. Perhaps Bob would like to address that. I am not familiar with criteria existing today.

Senator D'AMATO. Is there any criteria, or do we have again the magic wand of those in transportation or in the OMB for those deciding that area *x* will get 60 percent, and city so and so will get 80 percent? If you give me 50 percent you are effectively giving me in many areas nothing, isn't that right? If I don't have the other 50 percent locally, then you are giving me nothing?

Mr. MCMANUS. The intent in seeking flexibility in the share is to talk out this whole subject of the Federal Government's role in capital assistance as well as operating assistance and to suggest that there ought to be some flexibility in the share. That would have to be based on some guidelines and criteria, that is acknowledged, for different kinds of investments and for different circumstances. It is simply an effort to introduce that kind of flexibility into the program.

It existed, Mr. Chairman, years ago when the program was first authorized in 1964. There was an option or there was flexibility as between 50 percent and two-thirds at that time. And then when the program was expanded substantially in 1970 and thereafter, at that time there was a discussion of this issue. And the question is simply being reopened for discussion with the authorization committees in this legislative cycle.

Senator D'AMATO. When we tell the public, when you tell the Hill that we are going to continue the capital improvement area basically as is and then we have a little clause that says up to 80 percent, that is a big hole from 20 to 80 percent. Now, effectively, it will mean if the grant from Washington is 50 percent or 60 percent, in many cases that will preclude local participation. Isn't that correct?

Ms. CONNOR. That is certainly not the intent, Senator. It is not intended to have a punitive effect, but rather to give——

Senator D'AMATO. To give whom?

Ms. CONNOR. The Administrator of the mass transporation program discretion to determine how best to utilize the fund.

BLOCK GRANT FORMULAS

Senator D'AMATO. I am a believer in block grant formulas. I am a believer in setting up a system that says let's get Washington off the backs of local government. Let's give local government an opportunity to do for himself. Is this now a reversal from your statement on page 2? We believe that a reduction in Federal regulations, coupled with increases in capital assistance for established systems, will to some degree offset the eventual dollar loss. On one hand we say we are going to give to the local communities *x* number of dollars and are going to continue a program; and yet on the other we say we are going to give the UMTA Administrator or some administrator some place, at some time, flexibility. He may be the best person in the world coming in at this time; I don't know what he is going to be like 2 years from now or 4 years or who he or she is going to be. Aren't we going to just have the cities parading? Aren't we going to just make a whole set of series and regulations and new rules and end up with that regulatory burden that we are talking about escaping? How do you square the regulatory burden with the flexibility mentioned in your statement on page 2? Aren't we really going to get back into the area of regulating?

Mr. MCMANUS. That may be. But it could simply be an exercise of that authority that would be very simple and clear, that certain types of projects would be funded at *x* percent and certain types at *y* percent. That would have to be something obviously that would need to be talked out pretty carefully with the committees. That was the thinking behind the provision.

Senator D'AMATO. Isn't it a retreat from the capital construction program in terms of providing rolling stock and the kind of equipment upgrading that we have been talking about if we put in a formula that says up to 80 percent? Isn't that a retreat?

Ms. CONNOR. No, sir. I do not see it as a retreat. I believe that at the present time the Administrator is bound by a mandatory 80 percent. If he or she believes a project has merit, the Federal Government must share 80 percent of the funding of that project. There are many different categories and types of program projects, and as you know, the demands on the program are substantial. This would permit some leeway on the part of the Administrator to select categories of projects which perhaps could be funded at a lower level and permit the use of the Federal dollar for other purposes, and particularly in those cases where it is evident that it is feasible for the local area to contribute a larger local share.

BUS AND RAIL ACTIVITIES

Senator D'AMATO. Within the total percentages that you are going to use for new bus and rail activities, what specifically are your figures for fiscal year 1982? If you would refer to your fiscal year 1981 subcommittee report. Take a look at them. Fiscal year 1982, how much would be applied approximately to the rehabilitation of older buses and rail procurements?

Mr. McMANUS. As I recall, the figures that we are talking about, with the combination of the tier IV from section 5 and the section 3 discretionary, the number is something like $950 million for buses. And the figure, I might stand to be corrected on that if the budget officer finds me to be wrong. With respect to rail modernization, that category, I believe the number is approximately $920 million, somewhere in that area.

Senator D'AMATO. Let's look at rail modernization. The Carter proposal was for $1,040,000,000 for fiscal year 1982; is that correct?

Mr. McMANUS. Yes. That is correct.

Senator D'AMATO. Fiscal year 1981, we are going to do $920 million?

Mr. McMANUS. That's correct.

Senator D'AMATO. What is our figure for fiscal year 1982? What is the administration's proposal?

Mr. McMANUS. $923 million.

Senator D'AMATO. So we will be going from $920 million for fiscal year 1981 to $923 million?

Mr. McMANUS. That's correct.

Senator D'AMATO. What about buses? $580 million for fiscal year 1981?

Mr. McMANUS. Yes, the Reagan amendment would, the Reagan budget would be the same.

Senator D'AMATO. What is it for fiscal year 1982?

Mr. McMANUS. From section 3 it would be $580 million.

Senator D'AMATO. Is that what you have?

Mr. McMANUS. Essentially the level is being kept the same.

Senator D'AMATO. Do you have the figure on fiscal year 1981–82 for buses?

Ms. CONNOR. The fiscal year 1982 budget within these categories has not yet been fully determined since we have not fully reviewed the project demands for the allocation of the 1982 budget.

Senator D'AMATO. When will we have that?

Ms. CONNOR. Within the next couple of weeks. I should tell you that we have gone a long way in evaluating those projects. I don't want you to feel that the Urban Mass Transportation Administration hasn't been spending a lot of time on this. We do have a substantial amount of work done. However, at the moment, there are still some decisions to be made with respect to specific projects. Therefore, any numbers that we give at this time for fiscal year 1982 could be misleading to you.

BUS AND RAIL PROCUREMENT POLICIES

Senator D'AMATO. Last year, before this same committee, there was a report concerning UMTA's current bus and rail car procurement policies. In last year's report the committee provided funds to enable UMTA to establish permanent advisory committees to be made up of representatives in the department, supplier industry, and the cities. This same committee said:

> We wish to reemphasize the importance of improving current UMTA procurement policies and expect the advisory committees to play an important role in that regard.

Have those advisory committees been set up? Have they made any

reports? And where are we in terms of what the bus and the railcar procurement process will be?

It seems to me we are in never-never land here.

Mr. MCMANUS. We have in the past year, in response to the committee's report, gone through the very detailed, I might say, procedural steps to formulate committees under the Federal Advisory Committee Act. Both of those committees, there is a rail committee and a bus committee, have gone through the procedural steps and we are discussing with the Office of the Secretary the whole subject of advisory committees right now.

Senator D'AMATO. Do we have advisory committee reports?

Mr. MCMANUS. No. The committees have to be chartered as advisory committees. What I am saying is that that is a long, drawn-out process. We have gone through the preliminary steps, and we are now at the point where we could put those committees into a functioning role, but the basic subject of the role of advisory committees is being reviewed with the new administration.

FUNDING FOR COMMITMENTS

Senator D'AMATO. Let me say in fairness to you and in fairness to the administration, this was something that goes back 2 years. Last year this committee requested those advisory committees and stressed upon them the importance of exactly what we are talking about in terms of assessing the needs particularly in dealing with suppliers in the industry. We have had any number of problems in that area, which could be addressed. That is an unfair burden to try to place on this administration, but I don't think it is unfair to state that I believe that that still is a charge of the committee. I think it is a reasonable one and maybe it could go a long way toward alleviating some of the problems, and at least bridge the gap of understanding.

On page 7 of your statement, you indicate the intentions to continue funding projects for which commitments have been made within the section 3 program. Can you provide us with a breakdown of all commitments with realistic assessments of what you judge to be completion of usable components. I imagine you are doing an assessment at this time.

Ms. CONNOR. We are doing that assessment at this time, and we would be happy to provide it for the record when we have it available.

Senator D'AMATO. Is that going to be within the 2-week period?

Ms. CONNOR. Yes, sir. The Secretary did commit to have the specifics of this program available within the 2-week period.

Senator D'AMATO. What would be your view if you find that you do have a system that exists in an area with a limited tax base which had limited taxing authority, inadequate revenues, and a withdrawal of Federal operating assistance could or would indeed destroy the viability of the systems? What would be your answer to that kind of a problem? Should there be a Federal presence there?

Ms. CONNOR. Your question is a hypothetical one and your conclusion is one which we have not yet been able to agree is a natural conclusion of withdrawal of the operating assistance program.

WITHDRAWAL FROM TRANSIT

Senator D'AMATO. In our next hearings then, I thought I would spare you the problem of having 8 or 10 mayors and county executives from different areas being here and beating on the table next to you, telling you in very explicit terms that indeed is what will happen. But I think it will be necessary to have a further hearing so that, No. 1, we can get into some of the detailed information that has not been made available at this time.

Second, to let them give you, and I will have them provide to you, exactly what will take place when we have the withdrawal so that we won't be in hypotheticals. You will get the county executives and you will have the mayors and this won't be something that you say is a figment of someone's imagination. I suggest that it is a figment of someone's imagination downtown if they think that they are going to operate these systems and are just going to continue with the kind of retreat that is being proposed at this time. I know this is being proposed. This is all an exercise, as far as I am concerned.

I am not going to support this kind of a withdrawal unless I see specifics that will demonstrate, if you can demonstrate, that we are not going to destroy the viability of mass transit in certain areas. I think it is incumbent upon the administration to put forth, in a very clear way, these facts. Not to just come in and say, Well, the fare box will go up anywhere from 5 to 18 cents in your larger cities, and maybe the people won't be able to pay for the fare increase in smaller cities without taking into account and doing the kind of detailed analysis as to just what you can expect to take place given this so-called hypothetical evidence I have just given to you.

Ms. CONNOR. I would just like to say for the record that I don't believe that I indicated it was a figment of anyone's imagination. What I have indicated is that we do need to take a careful look at it. We are aware that there are major problems out there. Mr. McManus has indicated that a large portion of his time in the last month has been taken up talking to the mayors in local areas. We are hearing from them, I assure you.

However, in the course of reviewing this program and developing the facts that you are seeking, we have had a difficult time and a busy time. The Secretary himself is interested in reviewing it personally, and he has not had an opportunity to do that yet. I would hope that we can give him enough time to do that. In addition, the new Administrator should have an opportunity to come before you to present his own conclusions.

Senator D'AMATO. I understand the problems of the new administration and the new Secretary coming in with a comprehensive change as vast as what has been proposed. But I also want to convey to you the sense of urgency and distress to those on whom the burden of this plan will fall. That should not be minimized.

Ms. CONNOR. I would like to point out, however, that the operating assistance program does stay at its current level for the next 2 years. The actual decrease in funding does not begin until 1983.

Senator D'AMATO. Again, if the decrease is authorized this year for 1983, and if the medicine prescribed is going to be fatal to the patient

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in 1983, that doesn't lessen the height of anxiety to say, please, don't prescribe the kind of medicine that will be fatal to me in 1983. We don't have that much time in between now and the completion of the authorization period in which to sit around. It's much more different to change that, and I understand the administration's point of view. I am very supportive of the overall goals of the administration in curbing inflation. However, I think that we can be counterproductive sometimes, particularly in this area of mass transit.

I am not saying that we should increase the levels. I have been someone who has beat the drums when I thought that my State in particular was not receiving under all of the formulas designed, an equitable share, having provided 35 percent of the Nation's ridership and getting back only 18 percent. Now what I am saying is, don't make a further retreat from at least the level that has continued as inadequate or as unfair or as inequitable as that formula may have been to a point that we bring disaster to an entire region. That region is not just New York. I know there is a kind of anti-New York sentiment and feeling that exists in many quarters, and I think that great city in that great State has done a lot to reverse some of those opinions. But we are talking about a region. It's New York; it's New Jersey; it's Connecticut.

I suggest to you that it has some very different and unique problems. I am not going to simply sit by and advocate the destruction of what I think is a viable people mover for jobs. The system is having enough trouble and even with the present levels continuing, there will have to be an infusion of capital going into the billions of dollars to make it viable. This infusion of moneys will have to come from the fare box and local governments as well. It is not a retreat from local responsibility to advocate that the levels not be substantially reduced or diminished.

I can understand you can't increase the share of the pie, but reduction in terms of these kinds of areas are critical in nature, given the tremendous dependence not only in New York but also in other cities such as Philadelphia and Chicago. It is one thing to cut back on some programs that you say have been poorly administered. It is another one when you are going to make it impossible for people who want to go to work to get to work at a reasonable cost and in a reasonable timeframe. I express to you my concern.

I would say to you that I am heartened by the administration's position in regard to some of the rules and regulations, particularly section 504, as it relates to the elimination of architectural barriers and creates in many cases tremendous burdens upon local government. I wrote to Secretary Lewis on March 11, in regard to this, in terms of moving forward. I know that he has been concerned with promulgating the necessary rules and regulations that will relieve municipalities and give them the ability to determine that which is necessary. I would hope that the cost savings will be substantial, because it is so necessary.

Do you have any current cost estimates concerning the exemptions from 504? Have you been able to do anything on that? If 504 is not fully implemented, it would give back to the local government the ability to provide paratransportation systems instead of removing all the architectural barriers. Do you have any cost estimates on the potential savings nationwide?

ELDERLY AND HANDICAPPED

Mr. McMANUS. We have submitted a report to Congress on the cost of complying with the regulation which would, I think, get at your question. And the estimate that was produced by the operators, transit operators was, as I recall it, $4.2 billion over a period of 30 years, and handicapped groups contended with that estimate and the assumptions by which it was developed. The report from the Department stated a range of possible costs of from roughly $1 billion to $4.2 billion. But the operators' estimate was $4.2 billion.

RETROFIT EXEMPTIONS

Senator D'AMATO. Let me indicate to you in this regard, the proposed legislation calls for an exemption for retrofitting for buses. I believe that there was inadvertently no such exemption provided for rail transportation. Has that question been addressed? And if it hasn't, could you get back to us on that. Pursuant to the March 11, letter that I have sent to Mr. Andrews and Drew Lewis. I specifically raised that question:

> Reviewing the legislation I could not help but notice that whereas section 109(e) allows a retrofit exemption for buses, it does not do so for rail transit. Staff communications have determined that there was no intention to require retrofitting of rail transit, and that this apparent oversight could be corrected through subsequent rulemaking actions. In view of the possible difficulties associated with such rulemaking and because of the simplicity of correcting this provision now, I would respectfully request that you consider adding a specific exemption for rail transit before the bill is officially transmitted to Congress.

What I would suggest is, if you are not aware of this, that I give you a copy of the letter for your consideration. Obviously in the hustle and bustle these kinds of things can get lost. It is rather important. I understand that the legislation is apparently under review at OMB. OMB has a view that this is going to save taxpayers billions of dollars. But if that exemption for rail retrofitting is not made part and parcel, it is not going to save billions of dollars.

Would you like a copy of this?

Ms. CONNOR. I would be happy to take a copy of your letter and take that up with the General Counsel in the Department.

Senator D'AMATO. Good. You see sometimes we are even on the same side.

Ms. CONNOR. I thought we have been on the same side on a number of issues.

URBAN INITIATIVES

Senator D'AMATO. I don't know. I am wondering. I couldn't help but notice the proposals to phase out urban initiatives. What impact will that have on existing projects?

Ms. CONNOR. At the present time we have not had the chance to look at the specific projects. We intend to phase out that category of funding. However, the projects, as individual projects, would be eligible under the section 3 capital grant program and become part of the overall review.

Senator D'AMATO. I am concerned with the status of an urban initiatives project such as Buffalo. Do you expect that to be completed? If so, when. At what point do you propose terminating it? I understand

you built in legislation that would say when it is reasonable, when a certain segment can at least be completed. Does Buffalo fall within those guidelines of the kind of project that would be completed?

Ms. CONNOR. Each project will be evaluated to determine what phase it is in and what kind of commitment we have made, and those projects that have been initiated will be completed.

Senator D'AMATO. I think the same would be true for the Fargo project. What is the status of the Fargo project? Do you expect it to be completed? Would you please give us a report on Fargo and Buffalo, and on the other outstanding projects, but with Fargo and Buffalo in particular, so that we can see exactly how you are setting up this process of evaluation for determining which projects will go forward and which will be terminated.

Ms. CONNOR. The urban initiatives program, as I am sure you are aware, is made up of a lot of relatively small projects. We recognize that they are of great concern to the local community even though the magnitude of the dollars commitment is not as great as it is in other areas of transit funding but nevertheless, usually of great local concern. We are reviewing them all, and we will have that list available in the very near future.

Senator D'AMATO. There has been a lot of talk about UMTA activities in mass transit in general, and Conrail proposes to get out of the commuter business. With regard to Conrail, are we suggesting that Conrail should get out of the commuter business? What happens if you remove Conrail from commuter operations? How would you propose handling substitute commuter train operations in the Northeast corridor?

Ms. CONNOR. Just before I left to come up here the administrator of the Federal Railroad Administration asked me to come to a meeting this afternoon to discuss this with him as a result of the testimony he has been providing and the decisions he has been making with respect to Conrail. As you know, the Conrail system will be under complete review by the Department, with studies coming up this spring. The relationship of Conrail and the commuter system with Amtrak and other local transit systems will be part of that entire review.

ADDITIONAL QUESTIONS

Senator D'AMATO. Chairman Andrews and Chairman Hatfield and Senator Chiles, as well as Senator Mathias, have a series of questions which they would like answered. Rather than keeping you here all day and recognizing that some of the specifics that they ask of you would probably best be answered by giving you the opportunity to review the information in detail and provide it to them, I am going to submit to you those questions and ask if you wouldn't get the answers to those questions back to us, as expeditiously as possible.

Ms. CONNOR. We will do that as soon as possible.

Senator D'AMATO. We will provide you with a list of those questions.

Ms. CONNOR. Thank you.

Senator D'AMATO. Let me first indicate to you, thank you for coming here and giving us the opportunity of at least letting you know what some of our concerns are. I understand again that some of the detail

that I think is important for this committee to have so that we can make an evaluation is not here. I am going to recommend to Chairman Andrews that we have a further session in which we can get into some details on the budget proposals and hopefully have some of the projects that you have indicated that you will review for us, completed so you can give us some more definitive answers.

I would like to thank you very much, Ms. Connor, for being here. We are on the same wavelength and team. I want to see that the proper Federal role is one that is guaranteed because it is important, I believe, to this Nation and to our cities to provide people with the opportunity of getting work and that a reasonable balance can be found. I don't believe that we can just let the Federal participation continue to skyrocket, nor do I believe that you just cut off, by the year 1983, the kind of assistance that in many cases is absolutely essential. We will establish that. I am going to ask that we have some of the mayors here and I will also ask them to provide you with those figures so that you will be in a position to review the kind of impact that the cessation of operating subsidies will have in some of these small communities. I know that they have been into OMB and they have submitted some of these things. I know that some of them have submitted their concerns to the administration. But if we have to do it for the record, why then I think it is important that we do it for the record, so that before my colleagues vote, they will have an understanding of the magnitude of this problem which is not just one, vis-a-vis New York City; there are many fine small communities that will be deeply affected.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Hatfield

INTERSTATE TRANSFER PROGRAM

Senator Hatfield: Should the Interstate Transfer program be made permanent over a set number of years and be funded at an adequate and consistent level during this time period?

Response: While this proposal is certainly a possibility and will be considered, we are presently reviewing the Interstate Transfer Program to determine an appropriate course of action to pursue.

WITHDRAWAL OF HIGHWAY PROJECTS

Senator Hatfield: If the Administration cannot meet its commitment to cities that have already withdrawn, will additional cities be allowed to withdraw highway projects? If so how will the costs be recovered?

Response: Under the present legislation, withdrawal of Interstate Highway segments is permitted until September 30, 1983. While this date could be changed, the Interstate Transfer program is presently under review to determine an appropriate course of action.

INTERSTATE TRANSFER PROGRAM

Senator Hatfield: It is my understanding that there has been some discussion about eliminating the escalation provision of the Interstate Transfer program and that it would be retroactive to the fourth quarter of 1978. What are the implications for reduced funding levels of the program if this is done?

Response: While the Administration did consider the elimination of the escalation provision retroactive to the enactment date of the 1978 Surface Transportation Assistance Act, the Federal Highway Administration did not include such a proposal in their final 1981 legislative package presented to Congress. The elimination of the escalation provision, however, is currently included in draft highway legislation being developed by the Senate Environment and Public Works Committee.

Should such a retroactive provision be enacted, the value of withdrawn segments as of September 30, 1980, would be reduced from $6 billion to $5.1 billion thus decreasing the amount available by $900 million.

Senator Hatfield: Why should the plan be retroactive to 1978?

Response: The enactment date of the 1978 Surface Transportation Assistance Act was considered as a possible cut-off since this legislation contained a number of major provisions affecting both the withdrawal of Interstate segments and the substitution of other projects.

Senator Hatfield: How does "contract authority" (which was originally extended to the first cities to withdraw an interstate segment) affect the allocation process? Will the process acknowledge the first commitment, as Congress intended?

Response: The "Department of Transportation and Related Agencies Appropriations Act, 1980" rescinded all unobligated balances of contract authority under the Interstate Transfer Grants program. As a result, the needs of "contract authority" cities are considered on an equal basis with the needs of all other eligible cities for funding. Priority, however, will be given to projects that are underway or under construction.

Senator Hatfield: Should the present 1986 deadline for spending E(4) funds be extended?

Response: Consistent with the need to reduce Federal spending, as outlined in the President's Economic Recovery Program, the Department does plan to postpone construction of new rail starts and extensions which were to be funded with regular Urban Mass Transportation Program funds until the condition of the economy and the Federal budget improves. However, the use of Interstate Transfer funds for such purposes is still a matter under consideration. The impact that the Administration's policies could have on the deadline for spending the E(4) Interstate Transfer funds is currently being studied.

Senator Hatfield: Will the allocation of Congressionally appropriated Interstate Transfer Funds among the eligible cities be based upon actual ability of those regions to spend or obligate those funds during the succeeding year? Will there be reallocation of unspent E(4) funds each year?

Response: Yes, the allocation of Interstate Transfer Funds is based upon need and the actual ability of a region to spend or obligate those funds during the succeeding year. Due to the extremely large demand for Interstate Transfer Funds, virtually all funds are normally obligated before the end of the year. However, where projects are progressing slower than scheduled, UMTA will attempt to reprogram funds to other eligible areas which can advance their projects.

Senator Hatfield: If Interstate Transfer Funds are decreased as recommended in the DOT Budget Document, many Interstate substituation projects will not be built. Will the allocation process take into account the level of commitments already made at the local levels to their program of substitute projects? I refer to local funds committed or spent, private sector contributions made or land developments constructed based upon the program.

Response: Yes, the level of local commitment to a project or program of projects is certainly a factor in allocation Interstate Transfer Funds.

Senator Hatfield: The DOT Budget Document says that completing the Interstate Highway System is a clear national interest and priority, but that Interstate Transfer projects are primarily intended to meet local needs, so should be funded at a State or local level. In fact, the most expensive parts of the Interstate system still to be completed are all within urbanized areas, and the usage of those urban segments will be more than 90% by local traffic. Is it equitable to continue funding those links and add new money to 4R programs for already-constructed segments in most States, while simultaneously taking away funding from those States that choose to meet the same combination of intercity travel and local travel needs by an Interstate withdrawal program?

Response: We are not proposing a reduction in funding levels for the substitution program. $700 million was appropriated in FY80, $800 million in FY81, and we are proposing an $800 million appropriation for FY82. However, we are proposing that the funds for highway substitution projects ($200 million) be sought as part of the highway appropriation which is reflected in our request for $600 million which would be for transit projects only. Combined, these amounts match the FY81 appropriation. Furthermore, there is no proposal to change the funding ratio on Interstate Transfer projects from 85% Federal and 15% State and/or local. The funding of Interstate Transfer projects will continue to come primarily from the Federal level.

The Federal government has an extremely high investment in the completed portions of the Interstate System which needs to be protected. Recent studies have indicated an acclerated deterioration of the system and the need to provide Federal assistance to counteract this deterioration on both the urbanized and non-urbanized portions of the Interstate system.

Senator Hatfield: Will Interstate Transfer Highway Projects be funded from the Highway Trust Fund or from General Funds? If from the Highway Trust Fund, won't additional resources be needed to bolster that fund?

Response: The Department of Transportation is proposing that funds for substitute highway projects be appropriated from the Highway Trust Fund. The resources for the substitute projects would come from the amounts made available in the Highway Trust Fund due to withdrawn segments of the Interstate System.

Senator Hatfield: The DOT Budget Document very properly says that any transit projects to be funded with E(4) funds should meet the same criteria required for Section 3 discretionary capital grants. Will opportunity be given to withdrawal cities to present their project justification criteria, perhaps as part of the required "concept plan," before final recommendations are made to Congress upon necessary program levels for appropriation of Interstate Transfer Transit Funds?

Response: Yes, withdrawal cities have the opportunity to present their project justification criteria and this information is utilized in determining necessary future year program levels.

Senator Hatfield: Will there be a formal process for reallocating unspent Interstate Transfer Funds at the end of each fiscal year? Will the allocation of Congressionally appropriated Interstate Transfer Funds by DOT each year to eligible cities be based upon actual ability to spend or obligate those funds during the succeeding year?

Response: Due to the extremely large demand for Interstate Transfer Funds, virtually all of these funds are normally obligated before the end of the fiscal year. However, where projects are delayed to the next fiscal year or lower thanplanned obligation levels free up previously programmed funds, the resulting available monies are redistributed to other eligible areas according to need and the ability to utilize the funds in the current fiscal year. A serious impediment to this process is created when specified amounts are legislatively earmarked for specific-areas.

The allocation of Congressionally appropriated Interstate Transfer Funds is based on the evaluation and comparison of different eligible area projects. As most Interstate Transfer projects are multi-year in nature, the ability of eligible cities to obligate funds throughout the life of the project is, of course, critical. However, this has not been a problem in the past nor is it anticipated to be one in the future.

TRANSPORTATION SYSTEMS MANAGEMENT

Senator Hatfield: The Department of Transportation, in recent years, has placed heavy policy emphasis on Transportation Systems Management (TSM) as a cost effective method of solving urban transportation problems. The entire TSM effort is aimed at using Federal, as well as local, dollars for an array of transportation actions that replace the need for capital intensive projects, particulary non-essential interstate freeway projects. The Portland region's interstate withdrawal program is an excellent example of a program that implements DOT policy. By reducing the interstate transfer allocation, can it be assumed that Federal TSM policy, and finanical commitment to the policy, will be changed?

Response: No. In fact, the reduction in all available funds, including interstate transfers, increases the need for areas to consider TSM alternatives. Transportation System Management calls for implementation of low-capital, management and operations strategies to increase the efficiency of the existing transportation system. It also calls for improving the management of system's operations to improve productivity. In the face of limitations on funding for major new investments, the targeting of funds at system rehabilitation and maintenance and the proposed phase out of operating assistance, we expect to continue to encourage localities to look at TSM alternatives. We believe that the steps taken by the Portland area in TSM using both interstate withdrawal funds and other program funds are some of the most progressive in the nation. The changes in the program now proposed will still allow for further activities along these lines.

INTERSTATE TRANSFER PROGRAM

Senator Hatfield: If Interstate Transfer Funds are decreased, how will a region which developed a substitute system, at lower cost than the original Regional Transportation Plan be considered? i.e., Does TSM count for much?

Response: The determination of which projects receive Interstate Transfer Funds is dependent upon a number of factors including the level of local commitment, the ability to spend or obligate the funds and a comparison with other projects set to go. The lower the cost of a particular project (i.e. TSM projects) versus the benefits of that project will certainly improve the chances that the project will be funded given that the other requirements and factors are satisfactorily met.

Senator Hatfield: Will special consideration be given to projects that are jointly funded with Interstate Transfer "highway" and "transit" funding? (i.e., if transit funding is provided, will priority be given to ensure the needed highway funding is also given?)

Response: For those projects having both "highway" and "transit" elements care is taken to ensure that both project development and the timing of the project are coordinated. Where both "transit" and "highway" funds are needed to successfully complete a project, effort is and will continue to be made to ensure that the overall flow of federal funds is consistent with logical project development.

SELLING BONDS TO IMPLEMENT A PROJECT

Senator Hatfield: If a project is ready to proceed to implementation but insufficient funding is provided to a jurisdiction, can a guarantee (or letter of no prejudice) be given against which the local jurisdictions can sell bonds to implement the project (as with Interstate funding)?

Response: An UMTA Letter of No Prejudice is not a guarantee of Federal participation in a proposed project. The Letter of No Prejudice authorizes an applicant to incur costs on a specific project utilizing local resources, with the understanding that the costs incurred subsequent to the issuance of the Letter may be eligible expenses should UMTA approve the project or a project amendment at a later date. The Letter expressly disclaims any legal commitment or intent by UMTA or the Federal government to approve a project or project amendment. Therefore a locality or a lending institution should not view the Letter of No Prejudice as collateral when attempting to secure a loan. However, a locality can sell bonds or obtain a loan to serve as its local share for a project provided the loan is repaid from sources eligible in themselves to serve as a local share (i.e., new cash or other non-revenue sources).

Questions Submitted by Senator Andrews

TRANSIT OPERATING ASSISTANCE, SECTION 5

Senator Andrews: To what extent does your proposed legislation allocate spending according to those localities which make the greatest proportional dollar contribution? What consideration has been given to the possibility of a cap on the relative percentage of Federal dollars allowed?

Response: The largest proportional dollar contributions to transit tend to occur in the largest cities, as demonstrated in the attached table. Since the largest cities are favored by the proposed legislation, an inevitable benefit accrues to areas which pay the greatest proportional dollar contributions. Specifically, Section 5(a)(1) is the general operating assistance program to all urbanized areas over 50,000 population Under our proposal, the first tier will be reduced from $850 million in 1982 to $480 million in 1983 to $110 million in 1984 to -0- in 1985. The second tier, Section 5(a)(2), is targeted to cities over 750,000 population and will remain constant at $165 million from 1982 through 1984. Also held constant will be the third tier, Section 5(a)(3), which is oriented to cities which have rail systems. The funding level for the third tier through 1984 will be $90 million. The proposed funding for the phase-out of the three tiers is also shown in the table.

The purpose of the gradual phase-out of operating assistance is to give State and local governments the time necessary to adjust to the reduced Federal role. We have tried to target the remaining funds in the direction of the largest systems which coincidentally tend to make the largest local contribution.

Regarding your second question, Senator Andrews, we have given consideration to a cap on the relative percentage of Federal dollars allowed. This approach, based on our calculations, will continue the tendency of a Federal subsidy to substitute Federal for State and local goals. This type of influence distorts local decision making and inhibits creative responses to local transportation problems.

Non-Federal Transit Funding and Proposed Phase Out of Federal Operating Assistance

Population Size Group	1978* Average Local Share (not wieghted)	1982	1983	1984
750K and over	44.8%	$816	$559	$301
500K-750K	32.5	54.3	32.7	11.1
250K-500K	32.6	84.6	51.9	19.3
200K-250K	32.6	34.6	21.0	7.4
50K-200K	35.5	115.6	70.9	26.2
Total	37.2	1,105	735	365

*Total non-Federal operating assistance as percentage of the operating expenses. Each city is treated equally to get an average across sample cities. The size groupings were over 1 million, 500K to 1 million, 200K to 500K, and 50K to 200K.

MAJOR OBJECTIVES OF UMTA PROGRAMS

Senator Andrews: What are the major objectives of UMTA programs? Reduce air pollution? Energy conservation? Provide employment? Get people to and from work? Alternative transportation to automobiles? How would you rank your objectives in priority order? Please provide a specific listing for the record.

Response: I think it's important to distinguish between the objectives that local areas may plan to accomplish through their public transportation systems and the objectives of the Federal assistance program. Local public transportation programs can contribute to any or all of the specific objectives you cite, although the specific mix of those objectives and the specific goals for each one are determined by local priorities and the trade-offs each community makes between each objective and various ways of achieving them. The primary objective of the Federal program is to support and assist State and local governments in implementing their programs. This takes the obvious form of direct financial assistance for planning and implementing transit capital improvements, but it also includes training support, technical assistance, and research designed to identify and disseminate innovative methods and techniques or improved equipment which holds promise of reducing costs or increasing productivity.

NATIONAL GOALS TO BE ACCOMPLISHED WITH FEDERAL OPERATING ASSISTANCE

Senator Andrews: What specific national goals are you trying to accomplish with Federal operating assistance?

Response: The Federal role should be guided by several principles:

Return local service and operational decisions to State and local levels;

Shift greater financial responsibilities to those that benefit from transit services (i.e., more appropriate blend of fares, local-State taxes, and participation of local businesses);

Minimize prescriptive Federal regulations and procedures concerning acquisition and construction of capital equipment and facilities;

Encourage private enterprise participation in local transit systems.

Although the original goals of Federal operating assistance were well intentioned, Federal operating subsidies have been associated with low fares, rising costs, and declining productivity.

The current Administration's view of the appropriate Federal role in transit is reflected in the proposed legislation, the Transit Assistance Act of 1981. This legislation places the role for the Federal Government in capital assistance. The Act emphasizes capital expenditure to maintain existing transit systems, and proposes a gradual phase-out of Federal operating subsidies by 1985.

SAFETY ON RAPID TRANSIT

Senator Andrews: When testifying before this Committee a few weeks ago, the National Transportation Safety Board reported that safety oversight of rapid rail systems at the State or local level is virtually non-existent. It also reported that UMTA is responsible at the Federal level but lacks sufficient authority and resources to do an effective job. Who is legally responsible for monitoring the safety of these systems? What authority and responsibilities lie with UMTA for safety on rapid transit? What are the costs associated with running an effective safety program?

Response: UMTA has discretionary authority for monitoring the safety of rail transit systems receiving Federal funding assistance through UMTA. Responsibility to do so derives primarily from rail transit safety program responsibility given to UMTA by the Secretary in the April-June 1977 period. Statutory authority stems from various sections of the Urban Mass Transportation Act of 1964, as amended, which authorize the setting of terms, conditions and criteria in providing Federal funding assistance for transit systems, and Section 107 of the National Mass Transportation Assistance Act of 1974, which requires the investigation of unsafe conditions on transit systems. In our current legislative package UMTA has proposed that Section 107 be repealed.

A number of state agencies have responsibility for regulating and monitoring the safety of rail transit systems within their respective states.

Under its statutory and safety program authority, UMTA currently carries out the following responsibilities for safety on rapid transit:

. The development and implementation of an accident/incident reporting system, and the publication of annual safety status reports;

. Safety investigations;

. Establishing and monitoring individual transit safety and safety related programs;

. The development and conduct of transit safety and security courses for transit industry and government personnel; and

. The conduct of safety research and development projects.

For optimum effectiveness and efficiency, the Federal rail transit safety program should be structured to be least intrusive on the decision-making processes of the individual public transit organizations having accountability for the safety of rail transit systems during the design, development, operation and improvement of these systems. Such a structure would stress achieving the highest practical (or optimum) levels of safety through financial and technical assistance, and cooperation for mutual benefit, rather than focusing on the imposition of, at best, minimum requirements or standards.

The UMTA rail transit safety program is structured in this manner. The costs associated with running the program are approximately $1.5 to $2.0 million per year, plus the costs of maintaining a staff of 6 to 8 professionals.

TRANSIT TERMINAL FACILITY AT FARGO

Senator Andrews: Last year's Committee Report directed that a transit terminal facility be initiated at Fargo under the Urban Initiatives program. What is the status of this?

Response: In FY 81 UMTA intends to limit Urban Initiatives funding to $25.1 million. Subsequent funding for these types of projects will be available under the overall Urban Discretionary Grant Program. It is our understanding that the City of Fargo is still preparing its application. After it has been submitted, UMTA will be able to assess this proposal for possible funding under the Urban Discretionary Grant Program.

URBAN DISCRETIONARY GRANTS

Senator Andrews: Please provide a detailed explanation and accounting of your request for $1,515,000,000 in Urban Discretionary Grants. How do you reach that figure from the original Carter Budget taking into account a $210,000,000 deferral? What is the actual reduction in authority and outlays?

Response: Our FY 82 request is for $1,725,000,000 in Urban Discretionary Grants. This amount is reached by a FY 81 deferral of $210,000,000 for use in FY 82 plus an additional amount for FY 82 of $1,515,000,000. The $1,725,000,000 request is detailed below:

Bus and Rail Modernization ...	$1,497,800,000
New Starts.....	$ 129,700,000
Urban Initiatives.....	$ 12,500,000
Planning and Technical Studies	$ 60,000,000
Innovative Techniques and Technology Introduction	$ 25,000,000
Total	$1,725,000,000

The FY 82 request is based upon the need to reaffirm the commitment of the Federal government to assist State and local governments and the private business community in providing viable public transportation while at the same time contributing to the President's Economic Recovery Program.

Senator Andrews: How do you choose among discretionary grant projects in different cities? What is your specific evaluation procedure in this regard?

Response: There are many factors which UMTA considers when selecting projects to be funded through the discretionary grant program. Although there are no specific numerical checkpoints, UMTA weighs what the proposed project is likely to accomplish given its costs, the setting, and the current state of the locality's mass transportation system and its ability to successfully implement the proposed project relative to other projects throughout the nation. UMTA then selects the most meritorious projects for funding.

DPM AND URBAN INITIATIVES

Senator Andrews: You mentioned in your testimony that only those DPM and Urban Initiatives already underway will be funded. Which projects are included for funding under your definition, and at what level will they be funded?

Response: We intend to provide $25.1 million for Urban Initiatives projects currently under construction in FY 81 and $12.5 million in FY 82.. These include the following projects:

Cambridge, Massachusetts
Burlington, Vermont
Philadelphia, Pennsylvania
Roanoke, Virginia
Boston, Massachusetts
Cedar Rapids, Iowa
Buffalo, New York
Davenport, Iowa
Oakland, California
Baltimore, Maryland

As far as the DPM program is concerned, we have terminated Federal funding for the DPM category.

UNDERSTAFFING

Senator Andrews: Understaffing at UMTA has been claimed to be a problem for you in the past. Please identify the areas where you would place additional staff and how a given increase would alter your ability to perform your responsibilities. Provide a "best case" increase and a modified increase distribution of the number of positions and the costs involved.

Response: UMTA's FY 1982 staffing needs are closely related to the appropriation, program activities, and the overall projected grant workload. The Carter budget requested 677 position level to support an approximate $5 billion program level. Our modified staff request level is for 574 to support a $4 billion FY 1982 program. The revised FY 1982 budget reflects an approximate 20 percent reduction in program funds than was originallly planned by the Carter Administration, while our personnel projections have been decreased 15 percent from Carter's original personnel projections.

UMTA will be able to meet its program requirements under the "modified" FY 1982 personnel request. For the past three years UMTA has decentralized the majority of its program responsibilities to the Regional Offices. During this period, UMTA concentrated on filling critical resource needs of the regional offices. In line with the proposed reductions in FY 1982 program levels for Sections 3, 5, and 8 and interstate transfer programs, the agency will be able to meet its operational responsibilities with the modified FY 1982 personnel allocations. Our revised budget request represents both our "best case" and the modified increase distribution of the number of positions, although any Congressional increases in the Administration's proposed program level will require a corresponding increase to the agency's staffing levels.

A staffing and cost comparison between the Carter upper-level request and the current Administration's modified budget is offered on the chart provided.

STAFFING COMPARISON

	Carter Est.	Reagan Revision
Headquarters	446	386
Regions	231	188
Totals	677	574
Administration Costs	$30,050,000	$28,952,000

FORMULA GRANTS

Senator Andrews: From information provided the Committee, it appears that the percentage reduction in Formula Grants to non-urbanized areas is much greater than those cuts affecting the urban areas. Please state the policy behind this approach and provide for the record the budget authorities and outlays you are proposing for each category.

Response: The Administration's proposals for Formula Grant assistance to non-urbanized and urbanized areas actually represent a slight increase between FY 1982 and FY 1981 in both programs. The proposed budget authorities for the formula grant programs are as follows (dollars in millions):

	1981	1982
Urbanized Area Capital	$ 350.0	$ 375.0
Urbanized Area Operating	1,105.0	1,105.0
Non-urbanized Areas	72.5	75.0

On a percentage basis, the increase in the non-urbanized area program is slightly higher than that in the urbanized area.

UMTA does not project its outlays by individual program; instead, outlays are only projected for the entire UMTA program as a whole.

DPM AND URBAN INITIATIVES

Senator Andrews: There has been some confusion regarding the criteria used to select projects to be funded. According to some statements, the President's proposed budget would allow for the completion of those projects in which a commitment has already been made and where construction is already underway to complete an operable transit segment. The Downtown People Mover and Urban Initiatives programs would be eliminated. Please provide for the record a list (showing State, project name, and project costs) of the Downtown People Mover and Urban Initiatives programs that would be eliminated, and those projects which would be funded based on the criteria you are using. Please state that criteria.

Response: UMTA intends to limit the funding of the Urban Initiatives program to $25.1 million in FY 81 and $12.5 million in FY 82. These funds would be used to complete projects under construction. They are:

Location	Project
Cambridge, MA	Kendall Square
Burlington, VT	Church St. Mall
Philadelphia, PA	Gallery II
Roanoke, VA	Terminal
Boston, MA	South Station
Cedar Rapids, IA	Terminal
Buffalo, NY	Joint Development
Davenport, IA	Terminal
Oakland, CA	Joint Development
Baltimore, MD	Joint Development

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For all other projects proposed for funding under the Urban Initiatives program, the applicants with eligible projects will be encouraged to reapply under the Urban Discretionary Grant Program.

With the decision to terminate the Federal funding of the Downtown People Mover program, all DPM projects will be eliminated from Federal funding.

TRANSIT EFFICIENCY

Senator Andrews: According to a GAO report, the average cost per vehicle mile in this country has increased from $1.31 in 1973 to $1.53 in 1979 (in constant 1972 dollars). Expenses met by fare revenues dropped from 91% in 1966 to 48% in 1978. It appears that the more Federal dollars we put into the system, the less productivity we get out. What actions are you taking to correct the situation? Should UMTA design grant criteria or alter the formulas to include fare box cost recovery or establish standard measures of efficiencies?

Response: A reduction in farebox recovery rate is not, per se, a measure of inefficiency. In some jurisdictions, deliberate policies have been adopted to reduce the percentage of yield from the farebox, and meet transit costs with other revenue sources. However in the great majority of cases, the decrease in yield from the farebox can be attributed to a lack of long term policy on this whole question. The rate of fare is effectively regarded as an independent political variable that is totally unrelated to the cost of doing business. It is UMTA's view that the elimination of Federal operating assistance will force local jurisdictions to give farebox recovery more emphasis than they have been thus far willing to do. UMTA's own demonstratrion programs have also developed a wide range of management approaches to this question, and can provide interested transit operators with a catalog of useful "success stories" in managing the farebox to insure maximum yield and minimum fall off of passengers.

We do not feel it would be effective to craft a "regulatory" response for this problem. We rather feel that forcing transit agencies to re-examine the matter of revenue sources, and the promulgation of "best practice" case studies, represents a useful Federal role.

Senator Andrews: What are the major impediments to UMTA's efforts to encourage transit efficiency?

Response: The major impediment to transit efficiency, regardless of what agency is attempting to encourage greater efficiency, is the "peak demand curve" that mass transit exhibits. In many major cities, ridership today is but a third of what it was

fifty years ago. Yet peak hour transit use can often be greater than it was at that time. Thus transit operators have not been able to reduce their fleets and manpower levels at the same rate that ridership has fallen.

Couple to this general and overall problem, the intense political sensitivity of any reduction in transit services and a pattern begins to emerge. Transit operators are necessarily dependent on local political units for continued subsidies. Often the real or perceived condition for a favorable vote on a transit subsidy is the retention of a poorly patronized (i.e. inefficient) route or service in the district of a particular lawmaker.

Senator Andrews: Has the availability of Government subsidies encouraged many transit systems to de-emphasize fares as a revenue source? Should a minimum standard effort be required for the local share of transit operating costs?

Response: There are many people who would agree with the contention that the availability of Federal operating subsidies has caused transit systems to de-emphasize fares as a source of revenue. When the UMTA Section 5 program was enacted in 1974, passenger fares were providing 56% of all transit operating costs. Today that number is 42%, and the difference is just about equal to the contribution now being made by the Federal government.

If the Federal Government were to remain in the business of subsidizing transit operational costs, it would indeed be logical and appropriate to consider developing some mechanism for enforcing better concern, at the local level, with farebox management. However we do not feel that it is the business of the Federal Government to be involved in this kind of detail. We feel it is an area of local prerogative. Our response to the issue you cite is to suggest the complete phase out of the Federal operating subsidy program.

Senator Andrews: According to a recent GAO report, one reason for the growing demand for operating subsidies is that transit systems have adopted and maintained unrealistically low fares even though operating costs are increasing. Give us your assessment of this conclusion and provide for the record statistical information in support of your position.

Response: The question of fare levels is, and should be, a local decision. It is for this reason that we are advocating elimination of the current program of direct Federal subsidies for day-to-day transit operations. Thus if one jurisdiction chooses to opt for high fares and low subsidies, while another prefers low fares and high subsidies, these would be examples of appropriate local responses to totally local issues.

However, statistical evidence seems to demonstrate that local jurisdictions have not been approaching the question of farebox revenue with any kind of long range policy perspective. The number of jurisdictions that have announced deliberate policies to reduce farebox yield to some given percentage of operating costs are few. Yet over the past decade, farebox income has fallen from 84% of total operating costs to but 42%. (Over the same period, non-Federal operating subsidies have risen from 16% of total operating costs to 40%. The Federal Section 5 program now meets approximately 13% of all transit operating costs.) It is suggested that this dramatic shift in the sources of transit revenue over the past decade has been the result of a series of ad hoc political determinations, coupled with a fear of raising transit fares. Over the past decade, the national Consumer Price Index has risen well over 100%; the average transit fare has risen approximately 30%.

Senator Andrews: What consideration have you given to providing transit operators with disincentives for failure to improve productivity?

Response: This is a very complex issue, and does not admit of any clear or simple response. One could argue, for instance, that any "disincentive" system in the Federal assistance program for unproductive transit agencies would simply widen the gap between the productive and the unproductive; would worsen the problem we would be trying to cure.

In the months and years ahead, the matter of productivity and efficiency in mass transit is going to be coming in for renewed attention. We see the Federal role here as principally one of promoting efficiency and productivity, and not one of developing new regulations and procedures. Thus, we see the crafting of demonstrations and research activities into ways of improving productivity as very important. Parallel to this will be improved mechanisms for information exchange so transit operators will have access to data and evaluations of things that might improve their performance. But as of now, we do not see new regulations as the solution.

Senator Andrews: In testimony last year, Secretary Goldschmidt noted that UMTA grant formulas provide no reward for increased ridership or efficiency. What are your plans for altering these formulas to reflect improved efficiencies or ridership? Are there other changes currently under consideration in the formulas?

Response: Our legislative proposal does not suggest any changes to the formulas of the Section 5 program. Changes basing the formulas on ridership or efficiency would be a good idea if our proposal did not suggest the elimination of the operating assistance program by 1985. We see no reason to propose formula changes simultaneously with the elimination of funds.

FEDERAL ROLE

Senator Andrews: Most urban transportation decisions--such as setting fares, staff size and salaries, extent and frequency of service--are made by local officials. In view of this, what do you believe is the proper Federal responsibility with regard to mass transit operating assistance?

Response: The Administration believes that all decisions concerning operations of local transit systems are the responsibility of State and local Governments. Therefore, the Department is proposing a gradual phase-out of Federal operating subsidies beginning in FY 83. This phasing-out will reduce the Federal presence and maximize local flexibility and initiative in developing good transit service.

Senator Andrews: What is the percentage change of ridership in transit versus automobiles for each of the years 1970 through 1979? What is the percentage increase in Federal funding in transit for each of the years 1970 through 1979, and what has been the total investment of Federal dollars during that decade? Is Federal spending having any impact on ridership?

Response: The following table compares the annual percentage change in transit riders to the annual percentage change in passenger car vehicle miles. The table shows that transit patronage increased at a greater rate than auto travel in only two years, 1974 and 1979. Transit and auto usage in these years were influenced by the Arab oil embargo and the 1979 shortage.

Annual Percentage Change in Transit and Automobile Travel

Year	Transit[1]	Private Automobile[2]
1970-71	(-6.6%)	5.4%
1971-72	(-4.1)	5.0
1972-73	1.4	3.1
1973-74	4.1	(-2.1)
1974-75	0.5	3.3
1975-76	1.6	4.6
1976-77	2.9	4.0
1977-78	4.5	(4.7)
1978-79	6.7	(-2.7)

*These estimated rates of change are approximate, based on the most reliable data readily available. Rates of change would be very similar if the data for more perfect comparison were available. See notes below.

[1]As measured by transit boardings (unlinked passenger trips). Excludes automated guideway, commuter railroad, and ferry boat. American Public Transit Association, Transit Fact Book.

[2]As measured by passenger car vehicle miles traveled. U.S. Federal Highway Administration, Highway Statistics, annual.

The next table shows total UMTA obligations by fiscal year. The Federal investment from 1970 to 1979 has amounted to about 15.7 billion dollars. These Federal expenditures did influence ridership. The increases in ridership since 1972 marked the reversal of a downward trend in transit patronage that existed since 1945. It is unlikely that this reversal would have occurred without Federal funds.

UMTA Obligations by Fiscal Year
($ in millions)

Fiscal Year	Total Obligations	Percentage Change from Previous Year
1970	$ 160.0	7.5%
1971	398.0	148.8
1972	599.4	50.6
1973	971.6	62.1
1974	1,038.2	6.9
1975	1,500.5	44.5
1976	2,474.2	64.8
1977	2,391.8	25.4
1978	3,014.4	26.0
1979	3,189.5	5.8
Total, FY 1970-1979	$15,737.6	

Source: Program and Financing Schedules, President's Budget. Excludes administrative expenses. Includes capital grants, formula grants, RD&D, technical studies grants, managerial training grants, university research and training grants, interstate transfer grants, fare-free demonstrations, commuter rail operating subsidies, non-urbanized formula grants, and waterborne demonstrations.

Senator Andrews: Given the large degree of control exercised by UMTA in bus specifications and procurement, what incentives are there for private companies to invest their own capital in the development of new technology which would respond to the needs of transit authorities?

Response: Other than for Advanced Design Buses, UMTA does not review bus specifications or excercise any other "large degree of controls". This is done by the grantees who judge the worthiness of any new technology or innovative equipment. The transit market place provides the normal incentives to private companies to encourage them to invest their own capital in development of new technology. UMTA encourages innovations in transit equipment provided it has been properly tested, serves the need of the transit authorities, is cost effective, and protects the Federal investment. When these requirements are met, the new equipment becomes part the Advanced Design Bus specification. Even before all of these requirements are met some authorities have been allowed to specify innovative equipment in a small percentage of its rolling stock purchases to serve as a test bed for the equipment prior to standardization by the manufacturer in future production.

Senator Andrews: Identify the impediments in the existing specification and procurement process to new innovations in buses being developed through the joint effort of transit authorities and the companies producing the buses.

Response: UMTA has always encouraged the introduction of new innovations for buses developed by manufacturers and transit properties. Our only requirement is that sufficient field testing be done prior to the inclusion of the innovations as standard equipment to insure that they are cost effective and that the Federal investment is protected. In the absence of adequate field testing, UMTA will sometimes permit a transit operator the latitude to specify new innovations in a small percentage of the vehicles to be purchased so that first-hand operating data can be collected to assess the value of the new equipment.

SECTION 5 PROJECTS

Senator Andrews: The GAO has found that UMTA is not currently closing out Section 5 projects and reallocating remaining grant balances. Since remaining grant balances are not reallocated, substantial Section 5 resources are not being used for long periods of time. A February 1980 UMTA report listed balances amounting to 27.5 million dollars which had not been closed out. What actions has UMTA taken since GAO's review to eliminate the backlog of projects to be closed out?

Response: UMTA monitors the progress of our grantees in order to expeidte the deobligation of remaining balances once the project is complete. We have found that in a number of cases the grantee is progressing with the project and incurring obligations but because expenditure of grant funds lags bahind the grantees' activities, these projects may appear inactive but in fact are not yet complete and cannot be closed out. However, those grants with remaining balances from completed projects will have excess funds deobligated. UMTA has developed an expedited procedure to accomplish the deobligation of funds from completed projects. We are currently in the process of deobligating all remaining balances and are making them available for reobligation as quickly as possible.

GRANT BACKLOG

Senator Andrews: How long do you estimate it will take to eliminate the backlog of Section 5 projects needing to be closed out?

Response: In addition to those projects in the Office of Accounting awaiting formal closeout, UMTA

has developed expedited procedures to deobligate remaining balances and close out the other completed Section 5 projects, which our Regional offices have identified. We expect to have closed out and deobligated the remaining balances from all completed projects prior to issuing FY 82 Section 5 apportionments in October, and will include those deobligated funds which are no longer available to the original urbanized areas in the FY 82 apportionment.

Senator Andrews: How long do you estimate it will take to reallocate any remaining grant balances once the project operating year is complete?

Response: The reallocation process for deobligated Section 5 funds may take one of two forms. As you know, Section 5 funds are available to the states and urbanized areas for a period of three years in addition to the year for which the funds were originally appropriated. Therefore, if funds are deobligated within this four year period of availability, those funds are returned to the individual States or localities and do not need to be reapportioned by UMTA.

However, if Section 5 monies are deobligated after the original period of availability has passed, those funds are returned to UMTA for inclusion in the next regular Section 5 apportionment.

Senator Andrews: Please list the number of projects which have been closed out each month during calendar year 1980. List the number of close outs by regions.

Response: The data requested for project close outs is listed on the schedule submitted.

Region	Number of Projects Closed
I	22
II	10
III	56
IV	110
V	80
VI	40
VII	27
VIII	10
IX	20
X	13
Total	388

Month	Number of Projects Closed
Jan.	--
Feb.	--
March	--
April	--
May	93
June	4
July	10
Aug.	16
Sep.	143
Oct.	121
Nov.	--
Dec.	1
Total	388

Senator Andrews: As of January 31, 1981, how many Section 5 projects were ready to be closed out. Please provide a breakdown as to when (fiscal year) these projects were awarded and the total remaining balance. How much of the remaining balance on these projects will be lost to the individual urbanized areas because the availability has expired?

Response: As of January 31, 1981, the Office of Accounting had on hand seven requests for closeout.

Fund Source	Amount	
(1) 78	$ 54,873.00	
(1) 78	188,153.00	
(1) 79	565,991.00	
	809,017.00	Available
(1) 76-TQ	15,696.00	Not Available to original urbanized area
Total (4) projects	$824,713.80	Total deobligation

Three additional projects have no remaining balance.

The UMTA regional offices have been directed to initiate closeout and deobligaton procedures on all completed and inactive Section 5 projects as expeditiously as possible, giving first priority this year to projects which contain Section 5 funds apportioned in FY 78. First priority is assigned to these projects in order to prevent the lapsing of FY 78 funds since their period of availability to the specific urbanized area expires on September 30, 1981. UMTA headquarters has recently issued updated procedures for project closeout and the deobligation and reobligation of funds which should make this process more uniform, streamlined, and efficient.

During the remainder of FY 81, we expect to receive a large number of additional closeout and deobligation requests from our regional offices. We anticipate that the majority of the deobligation requests will pertain to funds apportioned in fiscal

years 1978 and 1979 and, therefore, they will remain available to the original urbanized areas for reobligation. Some of the projects we will close out this fiscal year will contain unexpended balances of funds for which the period of availability has expired. It is still too early in the year, however, to estimate the amount of funds in these projects which would lapse to these urbanized areas upon deobligation.

A summary of closeout, deobligation and reobligation actions which UMTA completed in FY 1980 may be useful as a rough estimate of the level of activity anticipated during FY 81.

FY 80

Number of projects closed out - 229
Amount of funds deobligated - $27,120,275
- FY 75 Funds - $ 1,733,897
- FY 76 & TQ Funds - 964,291
- FY 77 Funds - 15,526,244
- FY 78 Funds - 2,844,274
- FY 79 Funds - 6,051,569

Amount made available for reobligation - $18,370,518*
Amount of FY 75 through FY 77 funds which lapsed to the urbanized areas to which originally apportioned - $3,836,340

* Includes only deobligated funds from FY 77 and 78. FY 75, 76, and TQ funds lapsed to the original urbanized area. FY 79 funds were not made available for reobligation during FY 80, but will made available in FY 81.

INFORMATION SYSTEMS

Senator Andrews: What is the status of the automated system being developed by the Office of Transit Assistance? How much has UMTA spent on this system?

Response: The Office of Transit Assistance was engaged in an effort to determine the feasibility of incorporating certain functions into the agency's existing management information system (MIS). I should point out that the existing system was developed and implemented in the early 1970's and does not perform all the functions needed for management of the current Section 3 and 5 programs. That office has, over the years, identified a number of capabilities and functions necessary for effective program management which it requested be made a part of the existing automated system. The Office of Transit Assistance attempted to determine if the new features it requested were feasible and whether they would provide the data necessary for program management. The results of this feasibility study were documented and provided to the UMTA Office of Administration with a request that these features be incorporated in a new system. Virtually all features will be accommodated, with the first to be operational by May 31, 1981. Other features will be phased in gradually, to be fully operational by the beginning of the next fiscal year.

The cost to UMTA for the applications totals approximately $2,500, which include an UMTA employee's salary and benefits, plus related DOT computer time.

Senator Andrews: Has the system been approved in accordance with UMTA regulations?

Response: Yes, since the Office of Transit Assistance's needs will be part of the total system serving all of UMTA. It is being developed in accordance with UMTA regulations.

Senator Andrews: How will this system be integrated with UMTA's present and planned information systems?

Response: The features which were the subject of the feasibility study are not present in the automated systems currently used. However, the agency is in the process of developing a new MIS system and the documentation on the results of the feasibility study have been made available so that the additional capabilities will be a part of the new system. The Office of Transit Assistance is working closely with the Office of Administration to ensure that the necessary capabilities are programmed in the new system, which serves all of UMTA. To this purpose, the Office of Administration is conducting an information needs survey for all offices, including the Office of Transit Assistance. The results of this survey will insure that all UMTA offices' needs are accommodated and integrated.

Senator Andrews: Is UMTA using the present information systems to produce reports? If so, how is the reporting accuracy being verified?

Response: UMTA does use the present information systems to prepare reports, however, the agency does not rely solely on this source. Because the present information system lacks certain information, the data available from that system is supplemented with information gathered through manual records. These manual records also serve as a backup source for the information contained in the automated data systems. The accuracy of reports is verified through comparison of data from the two information sources and review of the automated data by the regional and headquarters offices on a periodic basis.

HANDICAP IMPLEMENTATION

Senator Andrews: What steps has UMTA taken to implement Section 504 of the Rehabilitation Act of 1973? What are the costs to UMTA associated with this regulation? What are the costs to the local authorities?

Response: An early step taken by UMTA to implement Section 504 was the issuance in 1976 of a regulation on transportation for elderly and handicapped persons. The 1976 regulation, which was based on a "local option" approach to serving elderly and handicapped persons, was designed to implement Section 16 of the Urban Mass Transportation Act, Section 165 of the Federal-Aid Highway Act of 1973, and Section 504. In 1978, after the Department of Health, Education, and Welfare issued final Guidelines on Section 504, the Department of Transportation issued a proposed regulation on Section 504 and held hearings at

various locations across the Nation. A final regulation, with an extensive treatment of mass transportation, was issued in 1979.

UMTA has issued various guidance documents and opinion letters to help grantees implement the 1979 regulation, and our Regional Offices have given individual assistance to grantees in complying with the regulation. To further assist transit operators, UMTA has for many years conducted a variety of research, development, and demonstration projects concerned with making accessible transportation available to handicapped persons. For example, UMTA has sponsored research on bus lift technology and on modifying escalators to allow wheelchair users to utilize them. UMTA's Office of Service and Methods Demonstrations has conducted numerous demonstrations of various types of door-to-door service and sponsored the National Survey of Transportation Handicapped Persons (1978), a major study on the needs and capabilities of transportation handicapped persons.

With respect to costs, the previous Administration estimated that the total cost of complying with the mass transit requirements of the regulation over 30 years would be $3.1 billion (1978 dollars). Of that total, approximately $2.2 billion would be capital costs and approximately $800 million would be operating and maintenance costs. We are aware that many transit operators have maintained that these estimates are too low and that the Congressional Budget Office, using different basic assumptions, also concluded that the previous Administration's estimates were too low.

The capital costs would be eligible for Federal participation, where the Federal share under present law is 80%. (The Federal share would be up to 80% under a change in the law proposed by the Department.) Operating costs are also eligible for Federal participation under present law, where the Federal share is 50%. However, because of limited funds, the Federal Government pays far less than 50% of transit operating costs on a national level. (The Department has proposed changing the applicable statute to phase out Federal operating subsidies by fiscal year 1985.) All costs not borne by the Federal Government (UMTA) would, of course, be the responsibility of State and local authorities.

Senator Andrews: What problems have you encountered in implementing Section 504?

Response: Because of the intensity of the debate concerning the provision of transportation services to the disabled, the implementation of Section 504 has proven one of the most difficult legal and administrative challenges facing DOT. Each of DOT's efforts to implement Section 504 has met with legal challenges from all sides. For instance, the transit operators association (APTA) is attempting to have DOT's present regulation struck down on the grounds that it exceeds the congressional intent of Section 504. On the other hand, during the past decade, more than a score of

lawsuits (including one by the Architectural and Transportation Barriers Compliance Board) have been filed against UMTA and/or DOT seeking various types of relief on the grounds that DOT's past and present regulations have not gone far enough in implementing the congressional intent of Section 16 of the Urban Mass Transportation Act or Section 504 or both. Many of these lawsuits are still pending and more are begun each year.

Implementation of Section 504 has also been fraught with administrative difficulties. DOT's staff has received over 50 requests for exemptions from the present regulation. As bases for these requests, recipients cite the high cost of compliance with the regulation, the unreliability of the required technology, the regulation's unresponsiveness to local conditions, and the fact that many severely disabled persons are still not able to use public transportation even though the regulation considers it "accessible." Only two of these requests have been granted to date. This has caused considerable resentment among recipients who, as a result, are reluctant to comply with the regulation. UMTA has a relatively small staff. Implementation of Section 504 has strained UMTA's resources and enforcement capability.

These legal and administrative problems have intensified because of the present uncertainty about Section 504. Some recipients are acting as if Section 504 has been changed or as if they have no duty to comply with it. On the other hand, many disabled persons and groups are increasing their advocacy for improved transportation services. DOT has submitted to Congress proposed legislation which DOT hopes will alleviate many of the difficulties it has encountered when attempting to implement Section 504. However, the exact nature of transportation services to be provided to disabled persons will likely continue to be highly controversial.

Senator Andrews: Please describe the relationship UMTA has with the Architectural and Transportation Barriers Compliance Board. Outline any legal action that the board has taken in which UMTA has been named as a party required to comply with the law. Please identify the law, UMTA's position in the case, and the status of the case at this time.

Response: UMTA has no direct relationship with the Architectural and Transportation Barriers Compliance Board. As an agency of the Department of Transportation and because the Department is a member of the Board, UMTA usually interacts with the Board through the Department's role as a Board member.

The Board has in the last three years, through its compliance procedures, informed DOT of approximately 15 mass transit related survey or complaint allegations of violations of the Architectural Barriers Act of 1968. Most have been amicably resolved. Two complaints, involving the Brighton Beach subway station and the Smith and Ninth Street subway station, both in New York City, are inactive but

according to the Board remain open and subject to possible litigation. One complaint concerning the State Street Mall in Chicago, Illinois has, since April 1980, been the subject of vigorous administrative litigation with the Board on one side and DOT, UMTA, the City of Chicago, and the Chicago Transit Authority on the other as respondents.

The central issue in the State Street Mall case (as well as in the Brighton Beach and Smith and Ninth Street situations) is whether when existing stairways are in any way altered, improved, or otherwise modified, the construction of an elevator is required. UMTA and the other respondents in the case contend that neither the Architectural Barriers Act of 1968, 42 U.S.C. §4151, et seq., the implementing regulations of the General Services Administration 41 C.F.R. §101.19.6, nor the Standards of the American National Standards Institute state anywhere that elevators must be installed when existing stairs are altered. UMTA contends that such a rule was never intended by Congress and that the expense of such a rule would deter transit authorities from making safety improvements and other minor repairs to transit stations.

With regard to the State Street Mall itself, as part of UMTA's funding of the Mall's construction, thirty-two stairways from the street level to the eight mezzanine levels of the one subway station beneath the Mall were upgraded. Sixteen of the stairways were rebuilt as stairways and sixteen were changed to escalators. No other work was done on the mezzanines and no work was funded from the mezzanines down to the train platform level. The Board claims that under their interpretation of the Architectural Barriers Act, UMTA must install eight elevators going only from the street level to the mezzanines but not to the train platform.

UMTA contends that no elevators are required and that installing eight, especially only to the mezzanine levels would be an incredible waste of money. One elevator to be built by the Chicago Transit Authority which will go from the street to the train platform is currently planned. This elevator is being built, however, pursuant to UMTA requirements that a certain percentage of funds received by grant recipients be used for wheelchair accessibility improvements. This elevator will cost approximately $3.5 million. Estimates for constructing eight elevators range from $20 - $28 million.

The case is currently in the discovery process. The Board has taken approximately fifteen depositions and presented numerous interrogatories. A trial is currently scheduled for May 4, 1981 but it is likely that the trial will be rescheduled. Finally, it should be noted that the Board in its recently published Minimum Guidelines for Accessibility 46 Fed. Reg. 4270 (1981) requires at Section 1190.33(a)(2) that when existing stairs are converted to escalators, elevators must be installed.

Senator Andrews: Please identify any overlapping authority that UMTA shares with the Architectural and Transportation Barriers Compliance Board.

Response: The largest area of overlapping authority concerns jurisdiction over rolling stock. Congress amended Section 502(b) of the Rehabilitation Act of 1973, 29 U.S.C. § 792(b) in 1978 to provide in part that the Board shall:

> "insure that public conveyances, including rolling stock, are readily accessible to, and usable by, physically handicapped persons."

The Board has not issued any regulations that outline what approach they intend to take regarding rolling stock. It is quite clear, however, that the potential is present for regulations and requirements different from those already imposed by the Department of Transportation.

A second area of overlapping authority is the approval of Zorinsky plans under Section 324 of the "Department of Transportation and Related Agencies Appropriation Act, 1981." Section 324 provides that grant recipients may submit for approval by the Secretary of Transportation with the concurrence of the Board, a program for providing transportation for handicapped persons that differs from the program mandated in DOT's Section 504 regulation (49 C.F.R. Part 27). The provisions of this section are only in effect during fiscal year 1981 and thus expire on September 30, 1981. Details of how the approval/concurrence authority of DOT and the Board would work has not been agreed upon by the two parties.

A third area of some overlapping authority concerns fixed facilities. UMTA must exercise some authority over fixed facilities that it partially funds the construction or rehabilitation of. Additionally, these facilities must comply with the regulations issued by the General Services Administration pursuant to the Architectural Barriers Act, 41 C.F.R. § 101-19.6. The problem comes in the interpretation of those regulations. The Board has often developed an interpretation of the regulations different from UMTA's and GSA's interpretation.

ZORINSKY AMENDMENT

Senator Andrews: What impact has the so called "Zorinsky Amendment" in last year's appropriations bill had on the implementation of Section 504 of the Rehabilitation Act of 1973 in regard to requiring local transit authorities to purchase wheelchair lifts?

Response: As far as UMTA is aware, the so called "Zorinsky Amendment" (which is contained in Section 324 of the "Department of Transportation and Related Agencies Appropriations Act, 1981") has had no impact. To date, no Zorinsky type alternative service plan has been submitted for the approval of the Secretary of Transportation and the

concurrence of the Architectural and Transportation Barriers Compliance Board. Transit operators are apparently aware that Section 324, which was intended to limit the expenditure of funds by DOT, does not immunize recipients of DOT funds from private lawsuits by handicapped persons to enforce Section 504 of the Rehabilitation Act. UMTA believes that this is the primary reason why no plans have been submitted. Other possible reasons are: the alternative service required of the large cities by Section 324 is more burdensome than current requirements; the limited protections afforded by Section 324, unless reenacted annually, will expire at the end of the fiscal year; and the process of obtaining concurrence by the Board is administratively difficult and makes securing approval doubtful.

REGIONAL OFFICES

Senator Andrews: Please detail what actions the Office of Grants Assistance has taken to ensure that regional offices are both aware of, and uniformly implementing UMTA's policies and procedures.

Response: The UMTA program offices receive policy direction, through the Office of Policy Development, from the Administration. The program offices develop uniform procedures and project specific guidance which are disseminated to the regional offices and potential applicants. As questions arise which the regional staff can not adequately address, they are directed to the program office. Washington staff periodically reviews regional office procedures for consistency with overall policy, and provides briefings in the regional offices to ensure that policies and procedures are accurately understood and conveyed to the public.

Senator Andrews: What actions has UMTA taken to improve its program guidance for regional offices?

Response: UMTA has developed a considerable number of program guidance directives for the regional offices. To date UMTA has written 99 internal and 26 external related directives. These directives cover the range from project management guidelines to guidance on application receipt and approval process to very detailed statements on the various regional roles and responsibilities. In addition, UMTA has 12 regulations in the Code of Federal Regulations and a number of other pertinent Federal Register notices that are utilized by the regional offices as guidance. UMTA program offices are also in the process of determining the need for additional guidance.

In addition, to assure that current policy guidance and program direction are uniformly communicated and implemented throughout UMTA, a Policy Guidance Task Force has been established. The task force will review all written and verbal guidance which have been issued, and develop an internal policy guidance manual.

SECTION 13(c)

Senator Andrews: What studies have been done by UMTA to evaluate the impacts of Section 13(c)? Please summarize the findings and conclusions?

Response: Until recently, UMTA had not sponsored specific studies to analyze the impacts of Section 13(c) provisions, although a number of UMTA-sponsored studies have addressed this issue as part of broader research. However, two studies are now underway which are intended to address specifically Section 13(c) labor protections. One study is addressing paratransit 13(c) labor issues while a second, sponsored by FHWA, is analyzing 13(c) impacts under the Section 18 non-urbanized program. The results of the studies will be available within six months.

Analysis of Section 13(c) issues to date generally have shown little actual indemnification costs resulting from 13(c) agreements. Cost impacts of the 13(c) process on the overall structure of transit labor-management relations are harder to analyze and verify. One conclusion, supported by a GAO report, is that the Department of Labor needs to develop criteria for use by labor unions and grantees in developing and negotiating employee protections. Many feel that such negotiations are presently unfounded.

Senator Andrews: There hasn't been a public takeover of a transit company in more than five years, yet Section 13(c) of the UMTA Act of 1964 is still in existence and is being interpreted as a labor protection clause for every instance in which Federal funds are used. What is the estimated cost of this Federal legislation to local authorities and what proposed changes can you suggest?

Response: It is impossible to estimate the actual direct cost of Section 13(c). Many transit operators and State and local governments believe that the 13(c) process and required local negotiations have been abused, have exceeded the original congressional intent, and have been used as leverage at the bargaining table on other issues. It should be noted that there have been estimates that as much as 80% of the cost of transit operations can be attributed to labor costs.

Attempts have been made in the past to reach a settlement with the Department of Labor in which the 13(c) process would be simplified. Negotiations took place in 1975 and 1976. There are several issues which may be resolved administratively (between DOT and DOL):

Define what is on the table for bargaining with respect to 13(c) arrangements.

Prohibit or limit agreements which would allow organized labor to own future work or limit the type of assistance that an authority may apply for in the future.

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Provide a mechanism for the Secretary of DOT to determine or assist in determining the appropriateness of any 13(c) agreement.

Delineate the categories of projects that do not need specific labor protections because adverse impacts on employees are highly unlikely.

Define and limit the employees protected so that localities will know their risk in accepting federal funds.

Use standard agreements or provisions where at all possible.

Use DOL Secretarial discretion in limiting negotiations or agreements to appropriate cases and in setting terms of protections in other cases.

Provide for automatic certification when a 13(c) agreement is already in existence.

Senator Andrews: Information provided the Committee indicates that it is more profitable for some smaller operating authorities to conduct business without Federal assistance because of the added labor costs imposed by Section 13(c). What is UMTA's policy regarding the costs associated with this regulation? Why impose an expense which is greater than the assistance being provided the authority? Are waivers ever granted? What recommendations do you have for change in this regard?

Response: Section 13(c) labor protective requirements apply to all UMTA-assisted capital and operating projects except those funded under the 16(b)(2) program where the Secretary of Transportation is empowered to set requirements. The Secretary of Labor is also empowered to waive Section 13(c) requirements in the Section 18 non-urbanized area program. The Secretary of Labor has indicated that such waivers would be granted only where there are no existing employees or where employees cannot be potentially affected by Federal assistance. Waivers under the Section 18 program are applied for and reviewed on a case-by-case basis. No waivers have thus far been granted by DOL.

While the Secretary of Labor has responsibility for administering Section 13(c), the Urban Mass Transportation Administration has not been complacent as to the impacts which the administration of these requirements have on its program. For a number of years, the Department of Transportation has discussed with the Department of Labor clarification and possible streamlining of 13(c) requirements. As part of the President's program to reduce burdensome Federal requirements, the Department expects to review 13(c) with the Department of Labor in order to ascertain where 13(c) requirements may either be simplified or made more compatible with transportation policy objectives.

BUY AMERICA

Senator Andrews: Why are federally subsidized rail car purchases going to companies in Italy and other foreign countries while American unemployment, especially in the auto industry, continues to rise?

Response: UMTA believes the current Buy America provision is already having positive impacts on the American rail car industry. For several years there was only one traditional rail car manufacturer in the United States. Recently, however, Bombardier, a Canadian company, established its first United States manufacturing facility. Since the enactment of the provision, all rail car contracts have been awarded to firms, regardless of nationality, that have complied with the "Buy America" requirements - at least 50 percent of the components being of U.S. origin, and final assembly taking place in the U.S.

Senator Andrews: What is the status of the "Buy America" requirements?

Response: Congress enacted the "Buy America" provision in 1978 (Section 401 of Pub. L. 95-599). It was signed into law on November 6, 1978. Since the provision was immediately effective, UMTA issued "emergency regulations" retroactive to November 6, 1978. UMTA published a Final Rule on January 19, 1981 containing minor changes that UMTA believes should be made immediately. The Final Rule clarifies the existing regulations and responds to several issues and comments presented during the previous comment period, and since the enactment of the statutory provision.

The effective date of the Final Rule was delayed under the President's Order postponing pending regulations. The Final Rule became effective on March 31, 1981.

A separate notice of proposed rulemaking concerning proposed revised implementation of the statutory provision by UMTA in two areas was also issued on January 19, 1981. The NPRM addresses the concept of including the cost of domestic subcomponents that are incorporated into components in other countries in the computation of domestic components and a revision to the "final assembly test."

In addition, as directed by the Deputy Secretary of Transportation, UMTA is reviewing the entire "Buy America" regulation on a priority review basis. This review is being done to carry out the President's goals of eliminating unnecessary regulations, and reducing the burden of those that are needed.

Senator Andrews: Please explain the process a transit authority must go through to buy from a foreign company, and provide the number of purchases and Federal dollars spent on rail and bus purchases from foreign companies.

Response: UMTA policy requires a transit authority to competitively bid the intended purchase and award to the low, responsive bidder in accordance with the bid documents including the "Buy America" provision. All firms, regardless of origin, are required to submit a certificate with their bid stating that

they comply with "Buy America" requirements. Any exceptions are noted on the certificate.

There have been eight major rail car procurements using UMTA funds since the enactment of the "Buy America" provision. All of the contractors have agreed to provide "domestic end products" thus complying with "Buy America". The eight contracts are for approximately 1025 rail cars at a cost of approximately 605 million dollars.

In 1979 and 1980, a total of approximately 1400 buses of various sizes were purchased from foreign companies at a cost of approximately 235 million dollars.

ROLLING STOCK AND RAIL CARS

Senator Andrews: Bus and rail car rehabilitation and maintenance have received a good deal of attention the past year. What has been UMTA's policy and financial investment in the rehabilitation and maintenance areas? List the requirements that are currently in existence which promote attention to these items? What financial commitments to these programs are you proposing in the FY 82 budget and what results are you expecting?

Response: While UMTA does encourage rehabilitation, we do not believe it practical to require rehabilitation of either buses or rail cars, as the question would imply, because the decision to do so should be determined locally. Although as part of the grant contract for Sections 3 and 5 capital funds, applicants assure that facilities will be operated and maintained, specific maintenance practices also are determined locally. UMTA is unable to specify precise financial commitments for maintenance because maintenance is funded as an element of the overall operating assistance program. Similarly, we are unable to predict precise financial commitments for FY 82 for bus or rail car rehabilitation. The cost effectiveness, desirability and impacts of a vigorous bus rehabilitation program are not known at the present time. We will continue, however, to encourage and fund bus rehabilitation and monitor operators' experience with rehabilitated buses to develop more precise data for establishing the economic feasibility of a long-term bus rehabilitation alternative. As the benefits of bus rehabilitation and improved maintenance practices become more widely known, we expect the demand for funds for bus rehabilitation to increase and maintenance practices to improve, leading to marked improvements in the efficiency and reliability of transit fleets.

Senator Andrews: What is the status of UMTA's bus stockpiling program? What was it designed to accomplish and what have been the results of the program? Do you plan to continue to emphasize stockpiling in FY 82 and, if so, what resources will be dedicated to this effort?

Response: UMTA encourages grantees to stockpile buses for possible future use in order to provide for low cost, immediate increased mass transit capacity in the event of a national gasoline shortage or local emergency. Many areas are finding the demand for increased transit capacity growing at the present time. This increase in demand is likely to continue and therefore we expect the program of bus stockpiling to continue to be encouraged. The costs associated with the bus stockpiling program are eligible for Federal assistance through the Section 5, Interstate Transfer, and FAUS programs.

Senator Andrews: Besides the problems with the Grumman frames and GM engines, what is the status of bus production problems? Please outline any backlog, manufacturing or contract problems which currently exist and identify UMTA's proposed solutions.

Response: We do not know of any other production problems similar to those of the Grumman 870 structural defects. (Also, we do not know why the GM engines are listed as a problem.)

The existing backlog of GMC is approximately 6 months while that of Grumman Flxible is somewhat dependent upon "A" frame and other structural refurbishment programs now in process.

Senator Andrews: (A note to clarify the above question.) The Washington Post reported on February 9, 1981 a quote from Phil Price, the Chief of Maintenance at D.C. Metro, that "We used to get 200,000 miles between breakdowns on bus transmissions. Now we are getting 30,000." The article described in general the problem of GM engines and transmissions.

GRUMMAN FLXIBLE MODEL 870 BUSES

Senator Andrews: It's my understanding that the Grumman Flxible Model 870 buses met UMTA specifications yet are still causing the operating authorities problems. What do you see as UMTA's role in this issue? What responsibility lies with the operators and the company?

Response: The Grumman Flxible situation is primarily a problem between the manufacturer and the the transit operators. The problems being experienced by Grumman Flxible with their model 870 are in no way a fault to the specifications. It is the responsibility of a manufacturer to produce a product to the specifications and deliver quality equipment. The operators have the responsibility to make certain that the product they purchase conforms to the specifications in order to protect the local investment and that of the Federal government in the purchase. When defects develop after delivery of the equipment, the grantee is protected by an extensive

warranty. It is the grantee's responsibility to enforce the warranties and require the manufacturer to correct the defects. UMTA continuously reviews the ADB specification and makes revisions based on requests from transit operators and manufacturers.

RESEARCH PROGRAM

Senator Andrews: What are the basic objectives of UMTA's research program? To what extent do you consult potential users and consider the practical application of your research?

Response: The basic objectives of UMTA's R&D program are to improve the efficiency, effectiveness and productivity of transit equipment and services, to promote national priorities, and to provide information that will make possible better decisions at the Federal, State and local levels regarding the planning, building, equipping, operating, maintaining and financing of public transportation service. In support of these objectives, UMTA R&D is intended primarily to produce verified empirical information, based on engineering development, experimentation, demonstration, observation and testing. R&D projects also include development and assessment of new technical, operational, and policy-relevant concepts through theoretical or analytical methods.

Potential users are consulted continuously from the inception of each proposed R&D program, and many projects result directly from needs articulated by users. Besides visits by users to UMTA headquarters and field offices, mail and telephone inquiries and applications for financial assistance to conduct demonstration or development projects, UMTA obtains participation of users by conducting a continuing process of idea exchange with the transit industry and the R&D community. Through a variety of conferences, workshops, seminars and project review meetings, UMTA invites participation of local officials, transit operators, the supply industry, the American Public Transit Association, the Transportation Research Board, universities, other Federal agencies and individuals concerned with applying R&D to solve urgent transit problems.

Two formal means have been established to aid in identifying broad UMTA R&D needs, objectives and priorities, namely, the National Cooperative Transit R&D Program (which elicited over 150 problem statements during the preliminary round of its second annual cycle of needs identification), and biennial UMTA R&D conferences, held most recently in November 1978 and November 1980. Through these broad solicitations and through meetings with smaller groups of technical specialists concerned with specific disciplines, representatives of UMTA's constituencies become involved early in objective-setting and project definition.

UMTA does not conduct R&D unless it expects the results to be applied in solving practical problems or making transportation policy or service decisions. During the past five to seven years, UMTA has placed increasing emphasis on planning for implementation or deployment of the results of its R&D. UMTA has sponsored its own analyses and collaborated with other Federal agencies in analyzing the processes by which innovative concepts and technologies are diffused and adopted by the user community. These analyses have identified barriers to innovation and possible means for overcoming

those barriers or enhancing the likelihood of practical application of R&D results.

A valuable byproduct of this search for relevant information is the development of a responsive and knowledgable research community capable of applying its talent in identifying and solving future problems and in creating new service concepts to meet future transportation needs.

RESEARCH AND DEVELOPMENT

Senator Andrews: By what mechanisms are other UMTA offices and DOT agencies regularly made aware of work completed on a particular research or demonstration project?

Response: UMTA publishes reports on all completed projects. Copies of project reports and a comprehensive annual project directory entitled Innovation in Public Transportation are disseminated to all UMTA offices and other DOT offices known to have an interest in UMTA R&D.

Most project managers develop a network of colleagues within and outside UMTA who are kept informed of progress and results through briefings, reviews and workshops, as well as through copies of project documents. There are also committees and informal groups involving UMTA, FHWA and FRA staff which meet periodically to review and discuss selected programs. UMTA also prepares slide presentations, videotapes and motion pictures describing programs, projects and results.

UMTA's offices involved in R&D work produce annual reports, various kinds of "technology sharing" documents, and evaluation reports on the outcome of projects; these are widely disseminated throughout the Department. For example, information from ongoing Service and Methods Demonstration projects is summarized on one-page briefs which are mailed monthly to individuals and agencies at all levels of government to keep them current on what is being learned. UMTA's Office of Planning Methods and Support publishes several levels of documentation of its work and uses these and other products in conducting training courses in the use of newly developed planning methods.

Budget justification material on UMTA R&D programs, developed for the Congress, is disseminated within UMTA and to other interested DOT offices. This material usually includes extensive description of past R&D activities.

Currently under development is a computerized index system that will be helpful in making the great bulk of UMTA's R&D results "instantly" available to a wide audience, including offices within the DOT.

Finally, any DOT offices not covered by these outreach activities are likely to receive periodic editions of one or more of the following: UMTA Abstracts summarizing all UMTA R&D reports; weekly abstracts of transportation R&D reports published by the National Technical Information Service (NTIS); and abstracts published by the Transportation Research Board (TRB) of the National Research Council. Particularly noteworthy results are also featured

in news releases and articles in technical journals, trade publications and Passenger Transport, the weekly newpaper of the transit industry.

Senator Andrews: How and when are research and development objectives set by UMTA? Who is included in these decisions? Are these decisions timed to provide guidance in the development of the budget process?

Response: UMTA's R&D managers conduct a continuing process of idea exchange with the transit industry and the R&D community. Through a variety of conferences, workshops, seminars and project review meetings, UMTA invites participation of local officials, transit operators, the supply industry, the American Public Transit Association, the Transportation Research Board, universities, other Federal agencies and individuals concerned with applying R&D to solve urgent transit problems.

Two formal means have been established to aid in identifying UMTA R&D needs, objectives and priorities, namely, the National Cooperative Transit R&D Program (which elicited over 150 problem statements during the preliminary round of its second annual cycle of needs identification), and biennial UMTA R&D conferences, held most recently in November 1978 and November 1980. Through these broad solicitations and through meetings with smaller groups of technical specialists concerned with specific disciplines, representatives of UMTA's constituencies become involved early in objective-setting and project definition.

Broad objectives, especially those requiring a change of emphasis, are sometimes set by the Administrator, but more commonly by the responsible Associate Administrators and UMTA office directors. New or revised objectives are established whenever circumstances highlight a particular need, opportunity or lack of information that could be served by undertaking additional R&D.

Narrower, project-specific objectives are the responsibility of the UMTA program managers responsible for each general technical area. In addition to close consultation with local officials and the supplier industry, the program manager may conduct analytical assessments of problems in building, equipping, operating, maintaining or paying for transit service to identify opportunities for innovation and expected R&D payoffs.

UMTA's formulation and conduct of R&D is a continuous process, and the responsible program manager may begin formulating a project at any time during the calendar year. Each project typically requires up to a year to develop to the point of award of a contract or grant (longer if substantial funds must first be appropriated, if a State or local demonstration sponsor must be engaged, or if the project involves competitive procurement) and from one to five years to conduct, evaluate and document.

These decisions are reviewed annually in the development of the budget process. As each project's objectives become clearer, along with improved estimates of scope, duration and resources required, the program manager will define it as part of the annual UMTA R&D program and budget cycle.

UMTA's Associate Administrators for Policy, Budget and Program Development; Technology Development and Deployment; and Planning, Management and Demonstrations are all involved in preparing and reviewing R&D program justifications. The Associate Administrator for Transit Assistance also reviews R&D program justifications to determine likely implications for UMTA's future capital assistance funding. After final review by the Administrator, these are submitted in turn to the Office of the Secretary of Transportation, the Office of Management and Budget, and the Congress.

Senator Andrews: What mechanisms have been established to assure that undesirable duplication of research, development and testing does not occur within UMTA or DOT?

Response: The primary mechanisms precluding undesirable duplication are, first, clear and distinct mission and function assignments to the various UMTA offices responsible for conduct of R&D; second, the internal networks of UMTA and DOT staff typically formed around specific R&D thrusts; third, the budget review process; and, fourth, broad dissemination of information about UMTA R&D in progress. UMTA's professional R&D program managers are relied upon to apply their knowledge of current work in their fields undertaken by other DOT or non-DOT organizations to preclude any needless duplication by UMTA.

Senator Andrews: Please provide a list of research and development activities in UMTA. The nature of the project (in brief), the office responsible, and the cost of the project, should all be identified. Please include the following offices in your account (when the activity performed has some relation to R & D): Research and Training; Technology Development & Deployment; Service and Methods Demonstrations; Planning Methodology and Technical Support; Policy and Program Development, Evaluation and Research; Management Techniques and Methods; and University Research.

Response: We will provide a list of currently active UMTA Research and Development activities for the record.

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
MD-06-0063	Projection of Future Bus Transit Requirements	UTD	$ 165,000
CT-06-0012	Test and Improvement of Standard Service Buses	UTD	$ 150,000
MD-06-0024	General Bus Procurement Specifications/Office of Bus and and Paratransit Technology Technical Support	UTD	$ 935,000
DC-06-0212	APTA Support for Bus and Paratransit Technology	UTD	$ 359,000
MI-06-0025	Evaluation of Bus Retarders	UTD	$ 100,000
IL-06-0051	Structural Analyses of Bus Components	UTD	$ 100,000
MA-06-0120	Transportation Systems Center (TSC) Support for Bus Technology and Systems and New Bus Equipment Introduction Program	UTD	$ 368,000
IT-06-0213	Paratransit Vehicle Development Technical Support	UTD	$ 743,000
IT-06-0204	Procurement and Test of Paratransit Vehicle Prototype	UTD	$1,071,000
CA-06-0133	Procurement and Test of Paratransit Vehicle Prototype	UTD	$ 954,000
MD-06-0040	Paratransit Vehicle Prototype Assessment by Operators	UTD	$ 50,000
DC-06-0220	Paratransit Vehicle Prototype Assessment by Elderly and and Handicapped Organization	UTD	$ 50,000

* UTD - Office of Technology Development and Deployment
UPM - Office of Planning, Management and Demonstrations
UPP - Office of Policy, Budgeting and Program Development

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
DC-06-0259	Technical Support for Energy and Conservation Studies and Requirements	UTD	$ 40,000
DC-06-0304	Bus Fuel Economy Tests, Studies and Requirments Analysis	UTD	$ 27,000
CA-06-0068	Feasibility of Flywheel Energy Storage for Trolleybuses	UTD	$ 55,000
PA-06-0060	Alternative Fuel Study Transit Buses	UTD	$ 125,000
OR-06-0007	Stored Hydraulic Energy Propulsion System for Transit Buses - Phase I	UTD	$ 100,000
CA-06-0147	Evaluation of Trolleybus Controler for Energy Conservantion	UTD	$ 661,000
FL-06-0022	Diesel Engine Modifications for Using Methanol in Transit Buses	UTD	$ 350,000
DC-06-0204	Gas Turbine Bus Test and Evaluation at DOE	UTD	$ 1,029,000
MD-06-0059	Gas Turbine Urban Bus Demonstration Phase 2	UTD	$ 171,000
OR-06-0005	Bus Noise Reduction	UTD	$ 220,000
MA-06-0093	TSC Support of Bus Energy and Propulsion Technology Program	UTD	$ 4,305,000
IT-06-0150	Paratransit Integration/Large Regional Analysis/Geometrical Representation Approach	UTD	$ 229,000
MA-06-0084	Paratransit Integration/Large Regional Analysis/Network Approach	UTD	$ 284,000
DC-06-0261	National Bureau of Standards Technical Support of Paratransit Integration Program	UTD	$ 764,000
MA-06-0071	Development of Advanced Control Procedures for Demand-Responsive Transit Needs	UTD	$ 316,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
FL-06-0018	Paratransit Integration: Coordination and Integration of Social Services	UTD	$ 800,000
TN-06-0010	Paratransit Integration: Ridesharing Computer System	UTD	$ 70,000
MA-06-0054	TSC Support of Paratransit Integration Program	UTD	$ 645,000
VA-06-0065	Technical Support for Phase II of Advanced Area Coverage AVM for Urban Transit Buses	UTD	$ 200,000
CA-06-0119	Technical Support for Phase II of Advanced Area Coverage AVM Experiment	UTD	$ 340,000
CA-06-0121	Advanced Area Coverage AVM Baseline Assessment Conditions	UTD	$ 85,000
MA-06-0011	TSC Support for AVM Program	UTD	$ 950,000
IT-06-0242	Technical Support for Rail and Construction Technology	UTD	$ 420,000
CA-06-0124	A Study of BART's Central Train Control Computer Replacement Project	UTD	$ 150,000
MN-06-0010	Minimization of Life Cycle Costs Related to Rail and Construction Technology	UTD	$ 30,000
MD-06-0068	Project Monitoring Procedures for Rail and Construction Technology Projects	UTD	$ 55,000
MD-06-0074	Life Cycle Costing Methodology for Rail Rolling Stock	UTD	$ 25,000
DC-06-0121	APTA Support of Railcar Standardization Program	UTD	$ 230,000
IT-06-0175	Railcar Standardization, Phase 2	UTD	$ 1,444,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
DC-06-0186	APTA participation in the development of a National Design Practices Manual for Urban Rail Systems	UTD	$ 350,000
IT-06-0229	Railcar Specification Comparison and Analysis	UTD	$ 200,000
NY-06-0087	Feasibility of Wheel Treatments to Reduce Noise and Vibrations from NYCTA Railcars	UTD	$ 167,000
CA-06-0125	Feasibility Study of Light and Commuter Rail Accessibility for Elderly and Handicapped	UTD	$ 585,000
CO-06-0009	Rail Technology Support at Transportation Test Center, Pueblo, Colorado	UTD	$ 900,000
MA-06-0099	TSC Support for Rail Noise Abatement Program	UTD	$ 800,000
NJ-06-0014	Railcar Steerable-axle Truck Test and Demonstration	UTD	$ 200,000
DC-06-0274	WMATA Fastener/Wheel-Rail Dynamics Investigation	UTD	$ 32,000
NJ-06-0012	Development and Evaluation of a High Reliability Ticket Vendor for Rail Systems	UTD	$ 100,000
IL-06-0049	Fare Collection Pass Readers for Rail Systems	UTD	$ 250,000
IL-06-0048	Winterization Equipment for Rail Systems	UTD	$ 100,000
MA-06-0117	Axle Stress Investigation for Railcars at MBTA	UTD	$ 80,000
VA-06-0075	Electromagnetic Interference/ Propulsion Systems for Railcars	UTD	$ 100,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
DC-06-0315	WMATA Rail System Energy Assessment	UTD	$ 108,000
MD-06-0072	Railcar Electromagnetic Interference Test and Evaluation at MTA, Baltimore	UTD	$ 227,000
GA-06-0013	Railcar Electromagnetic Interference Test and Evaluation at MARTA	UTD	$ 195,000
PA-06-0059	Development of Energy Management Simulation Model	UTD	$ 101,000
MA-06-0025	TSC Support for Rail Systems	UTD	$2,774,000
DC-06-0345	Building Research Advisory Board Contracting and Management Seminar	UTD	$ 50,000
NY-06-0071	Risk Analysis of Wrap-up Insurance Program for the Buffalo Light Rail System	UTD	$ 19,000
MA-06-0097	Allocation of Risks in Urban Underground Construction	UTD	$ 142,000
MA-06-0096	Analytical Study of Rail Girders for Dade County Transit System	UTD	$ 57,000
GA-06-0010	Investigation of Design Standards for Elevated Structures	UTD	$ 50,000
MD-06-0076	Elevated Structure Design Practices	UTD	$ 90,000
DC-06-0278	Concrete Tie Test Installation	UTD	$ 50,000
IL-06-0042	Evaluation of Track-Fixation System Noise Reduction Measures in Existing Subways at CUTD	UTD	$ 500,000
DC-06-0333	Track System Design and Maintenance	UTD	$ 450,000
MA-06-0127	Porter Square Design Evaluation at MBTA	UTD	$ 216,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
MA-06-0121	Study of Rock Chamber Lining at MBTA	UTD	$ 20,000
MA-06-0111	Rail and Construction Technology Workshop Conference Support	UTD	$ 100,000
DC-06-0312	In-situ Stress Measurements in Rock at BART	UTD	$ 27,000
MD-06-0036	Compaction Grouting Test Section at MTA, Baltimore	UTD	$ 51,000
DC-06-0293	Improved Design and Control of Grouting	UTD	$ 35,000
NY-06-0078	NYCTA/PATH Tunneling Inspection Techniques	UTD	$ 800,000
MD-06-0039	Precast Concrete Tunnel Liner Evaluation at MTA, Baltimore	UTD	$ 567,000
GA-06-0007	Underground Transit Support Systems Test Section at MARTA	UTD	$ 430,000
DC-06-0286	Support of the U.S. National Committee on Tunneling Technology and Rock Mechanics	UTD	$ 42,000
DC-06-0343	Characterization of Deep Weathered Rock/Section B-9, WMATA	UTD	$ 55,000
PA-06-0052	Mt. Lebanon Transit Tunnel Design at PAAC, Pittsburgh	UTD	$ 85,000
CA-06-0120	Study of the Structural Behavior of the BART Berkeley Hills Tunnels	UTD	$ 100,000
DC-06-0267	Subway Environmental Simulation Program at WMATA - Phase 2	UTD	$ 386,000
CA-06-0144	Assessment of the Impact of Dipped Guideways on Urban Rail Transit Systems at SCRTD	UTD	$ 150,000
MA-06-0100	TSC Support for the Rail Construction Technology Program	UTD	$1,525,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
IT-06-0248	Assessment of Domestic New Transit Systems	UTD	$ 308,000
VA-06-0083	Assessment of the State of the Art of Cable Transit Systems	UTD	$ 43,000
IT-06-0244	Generic Alternatives and Market Analysis for New Systems	UTD	$ 308,000
MD-06-0077	Generic Alternatives & Market Analysis/Policy Alternative through Year 2000	UTD	$ 10,000
IT-06-0247	New Systems Issues Refinement	UTD	$ 162,000
IT-06-0257	New Systems Research Dissemination	UTD	$ 50,000
IT-06-0197	New Systems Alternatives	UTD	$ 220,000
MA-06-0069	TSC Support for the Transit Technology Evaluation Program	UTD	$ 460,000
DC-06-0142	APTA Support for Transit Industry and Localities Input to AGT Technology and the Advanced Group Rapid Transit (AGRT) Programs	UTD	$ 200,000
CA-06-0088	Automated Mixed Traffic Vehicle (AMTV) Study	UTD	$ 410,000
OH-06-0030	Independent Assessment of Safety Aspects of AMTV Systems	UTD	$ 50,000
MD-06-0050	AGT Independent Control Analyses	UTD	$ 155,000
VA-06-0056	Independent Technical Evaluation of AGT Supporting Technology Program	UTD	$ 282,000
IL-06-0046	Performance Evaluation and Energy Efficiency of Linear Induction Motors on Propelled Steel-Wheel-On-Rail Suspended Vehicles	UTD	$ 20,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
CA-06-0143	Evaluation of Inductive Power Transfer for Transit Applications	UTD	$ 79,000
GA-06-0009	Transette Engineering Modification and Test Program at Georgia Tech	UTD	$ 483,000
OH-06-0028	Safety and Reliability of Automated Guideway Tranist Systems	UTD	$ 185,000
IT-06-0186	AGRT Transit System Engineering Analysis	UTD	$ 776,000
MD-06-0047	AGRT Transit System Control Analysis	UTD	$ 975,000
IT-06-0190	AGRT Vehicle Collision Avoidance and Malfunction Studies	UTD	$ 500,000
WA-06-0011	AGRT Phase IIB Prime Contractor (Boeing)	UTD	$12,323,000
CO-06-0011	AGRT Phase IIB Prime Contractor (Otis)	UTD	$12,323,000
WA-06-0014	Magnetic Levitation (MAGLEV) Propulsion System Technology	UTD	$ 2,789,000
VA-06-0067	Independent Studies of MAGLEV Propulsion Technology	UTD	$ 90,000
VA-06-0035	MAGLEV Propulsion Test	UTD	$ 416,000
VA-06-0068	Queens University MAGLEV Experiment	UTD	$ 126,000
VA-06-0073	Downtown People Mover (DPM) Technical Support (Programwide)	UTD	$ 200,000
IT-06-0181	DPM Technical Support for Los Angeles	UTD	$ 1,468,000
IT-06-0182	DPM Technical Support for St. Paul	UTD	$ 1,132,000
IT-06-0183	DPM Technical Support for Detroit	UTD	$ 985,000
IT-06-0214	DPM Technical Support for Miami	UTD	$ 855,000

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UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
IT-06-0264	DPM Technical Support for Jacksonville	UTD	$ 312,000
IT-06-0216	Two Films to Document the DPM Program	UTD	$ 300,000
WV-06-0014	Morgantown People Mover (MPM) Vehicle Control Center	UTD	$ 22,000
WV-06-0013	Feasibility Study of Coupling MPM System Vehicles	UTD	$ 26,000
VA-06-0070	Technical Studies and Review for the DPM Program	UTD	$ 100,000
MA-06-0013	DPM Cost Update and Analysis	UTD	$ 232,000
IT-06-0177	DPM Impact Assessment	UTD	$ 606,000
LA-06-0003	Feasibility Study of New Orleans Cable Suspended Transit System	UTD	$ 100,000
IT-06-0126	Accelerated Walkway Demonstration	UTD	$ 3,386,000
AK-06-0002	Alaska Air Cushion Vehicle (ACV) Demonstration	UTD	$ 1,020,000
MD-06-0058	Technical Support and Evaluation for for ACV Demonstration	UTD	$ 80,000
IN-06-0009	Cold Weather Transit Technology Research at Notre Dame	UTD	$ 5,500,000
MA-06-0XXX	TSC Support for Urban Transportation Productivity Enhancement	UTD	$ 605,000
DC-06-0152	Applying NASA Techniques for Transit System Design and Maintenance at Dade County, FL	UTD	$ 150,000
DC-06-0289	Processing of Rail Transit Safety Information	UTD	$ 30,000
DC-06-0215	Transit System Safety Training Program at FAA Transportation Safety Institute	UTD	$ 489,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
DC-06-0123	APTA Support for Transit Safety & System Assurance	UTD	$ 545,000
IT-06-0239	Transit System Safety Technical Support Contractor	UTD	$ 175,000
CA-06-0152	Fire Testing of BART Transit Vehicle	UTD	$ 265,000
MA-06-0047	TSC Support for Transit System Safety	UTD	$ 1,094,000
DC-06-0297	Development and Documentation of Goals, Approaches and Procedures for an UMTA Product Qualification Program	UTD	$ 32,000
OH-06-0032	Miami (Ohio) University Study of Barriers to Rail Rolling Stock Innovations	UTD	$ 66,000
DC-06-0260	WMATA Development of an Automated Transit Reliability Information Monitoring and Analysis Program	UTD	$ 120,000
CA-06-0046	Life Cycle Cost (LCC) Procurement Technique Validation for Small Buses	UTD	$ 300,000
VA-06-0045	LCC Procurement Techniques-Full Size Buses	UTD	$ 400,000
AZ-06-0008	Development of LCC Data for Bus Procurements, Phoenix	UTD	$ 29,000
IL-06-0044	Development of LCC Data for Bus Procurements, RTA, Chicago	UTD	$ 31,000
MA-06-0060	TSC Support for Transit Product Qualification Program	UTD	$ 675,000
NJ-06-0011	Commercialization Plan for Innovative Systems	UTD	$ 6,000
MD-06-0061	Technical Support for UTD Decision Analysis and Technology Sharing Activities	UTD	$ 70,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
DC-06-0295	Automated Transit Information System (ATIS) Zip Code Data Base	UTD	$ 10,000
DC-06-0154	ATIS Prototype Demonstration	UTD	$ 435,000
VA-06-0054	Feasibility of Computerized Voice Response Technology in ATIS	UTD	$ 50,000
VA-06-0052	Integration of ATIS with Related Computerized Systems	UTD	$ 100,000
NY-06-0077	Regional ATIS Feasibility Study at PANYNJ	UTD	$ 150,000
MA-06-0108	TSC Support for UTD Ground Transportation Systems	UTD	$ 330,000
CA-06-0098	Testing of Loading and Securement Hardware for Transporting Wheelchair Passengers	UTD	$ 160,000
VA-06-0082	Elderly and Handicapped (E&H) Accessibility Program Planning Support	UTD	$ 10,000
IT-06-0164	Modification Kit for Existing Escalators to Accommodate E&H	UTD	$ 690,000
IT-06-0243	Analysis of Handicapped Categories to Estimate Design Requirements	UTD	$ 450,000
MD-06-0057	Analysis of Transportation Barriers to E&H by Transit Mode	UTD	$ 232,000
DC-06-0281	WMATA Inclined Elevator Demonstration for E&H Access	UTD	$ 75,000
MA-06-0122	TSC Support for E&H Local Options: Technology Development and Transfer	UTD	$ 330,000
MA-06-0126	TSC Support for UTD Project Evaluation and Impact Assessments	UTD	$ 901,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
VA-06-0034	Translation Services for Disseminating R&D Results	UTD	$ 19,000
AL-06-0006	Federal Participation in the Lea Transit Compendium	UTD	$ 141,000
DC-06-0252	Advanced Transit Association (ATRA) Conference Analysis	UTD	$ 35,000
MA-06-0043	TSC Support for UMTA/UTD Technology Sharing Program	UTD	$ 300,000
DC-06-0284	National Academy of Sciences Support for Ongoing Transportation Research Activities	UTD	$ 201,000
DC-06-0331	Establishment of an Ongoing Technology Transfer Process between Policy Level Officials in State and Local Goverments and Office of TD&D	UTD	$ 70,000
MD-06-0053	National Cooperative Transit Research Program (NCTRP) Evaluation	UTD	$ 100,000
DC-06-0230	APTA Support of NCTRP Technical Steering Group	UTD	$ 100,000
DC-06-0232	Urban Consortium Support of NCTRP Technical Steering Group	UTD	$ 75,000
DC-06-0231	NAS/Transportation Research Board Technical Monitoring and Administration of NCTRP Projects	UTD	$ 2,350,000

Project Number	Nature of Project	UMTA Office	Cost (Federal Share)
NY-06-0068	Grant to SUNY at Buffalo to research & develop a transportation corridor sketch planning model which will permit the evaluation of high occupancy vehicle and transit alternatives	UPM	115,425.
MA-06-0092	Grant to MIT to develop transit operations planning methods using inexpensive programmable calculators or micro-computers and requiring only readily available data	UPM	298,031.
MD-06-0041	Grant to Un of Maryland to research & develop an improved transit system scheduling and costing algorithm for incorporation into UTPS and used by transit operators	UPM	199,247
OR-06-0006	Cooperative agreement with Portland Tri-Met for improved transit operation and financial planning software	UPM	170,000
WA-06-0016	Cooperative agreement with Seattle Metro to demonstrate improved transit operations planning and scheduling using a sophisticated, user oriented data base mgmt software package	UPM	196,500
IT-06-0227	Contract with Wilson-Hill Assoc to maintain and enhance UTPS microsimulation programs used in evaluating detailed traffic mgmt and pre-engineering design studies	UPM	215,000
DC-06-0316 DC-06-0317	Two agreements with RSPA for basic research in transportation	UPM	200,000
CA-06-0148	Cooperative agreement with Santa Clara County to enable the access of 1980 GBF/DIME census files on a low-cost microcomputer	UPM	99,542
MA-06-0039	Project Plan Agreement with Transportation Systems Center for support in planning methods development. Includes background research, feasibility studies,technical project monitoring, and highly specialized software development	UPM	800,000

Project Number	Nature of Project	UMTA Office	Cost (Federal Share)
IT-06-0225	Contract with DTC to maintain and enhance UTPS computerized general purpose subroutines. Simplified user interaction and reduced computer costs will result.	UPM	150,000
MD-06-0056	Contract with COMSIS Corp to develop a transit information system that will be a low-cost way to increase transit ridership	UPM	116,387
DC-06-0279	Funding thru UPP to Transportation Research Board for various conferences, workshops and general support	UPM	224,000
DC-06-0077	Working capital fund to provide computer time for R&D software development by in-house staff, grantees and contractors	UPM	700,000
TX-06-0031	Grant to No Central Texas COG for development and demonstration of a microcomputer system for transit route operations evaluation and mgmt information system at Dallas Transit	UPM	85,000
CT-06-0011	Grant to Yale Un to research an improved traffic equilibrium algorithm which if successful can significantly reduce the computer cost of evaluating traffic mgmt strategies for large highway networks	UPM	86,124
MA-06-0090	Grant to MIT to further develop CAM, a computer model relating transportation accessibility to neighborhood change	UPM	141,777
DC-06-0311	Agreement with FHWA to support the Census Bureau's Urban Transportation Planning Package	UPM	125,000
DC-06-0323	Agreement with FHWA to improve TSM planning through better traffic engineering software and interfacing it with other complementary UTPS programs	UPM	100,000

Project Number	Nature of Project	UMTA Office	Cost (Federal Share)
IL-06-0047	Grant with Un of Ill to develop a simplified model for evaluating transportation/landuse interactions	UPM	58,130
DC-06-0318	Agreement with RSPA to fund Un of Tx contract research & devcelop improved "shortest path" algorithm which will greatly reduce the cost of computer analysis for local planning agencies	UPM	98,046
IT-06-0222	Contract with OAO Corp to maintain and enhance the UTPS highway network analysis programs used in short-range planning	UPM	425,000
DC-06-0240	Agreement with FHWA via two contracts to develop a series of technical aids to facilitate the use of UTPS in transportation systems mgmt and energy conservation studies	UPM	331,299
MD-06-0049	Contract with Price,Williams & Assoc to provide UTPS technical dissemination and training support	UPM	974,645
IT-06-0224	Contract with Automated Sciences Group to improve UTPS programs aimed at demand estimation and simplified manipulation of large sets of data required for transit operations planning	UPM	450,000
NY-06-0081	Grant with Rensselaer Poly to research stochastic transportation networks to provide more accurate representation of vehicle movement in complex transportation networks	UPM	55,833
MN-06-0014	Cooperative agreement with Minneapolis Metro Council to develop an interactive GBF/DIME data base mgmt system to enable better use of 1980 census data in transportation planning	UPM	99,500
DC-06-0187	Agreement with OST to provide UTPS dissemination support to large U.S. cities through the Urban Consortium. Training aids and exemplary case studies are included	UPM	394,004

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible	Cost (Federal Share)
CA-06-0102	Transit Fare Prepayment Through Employer (Sacramento, CA)	UPM	$ 470,997
FL-06-0016	Transit Fare Prepayment Through Employer (Jacksonville, FL)	UPM	148,000
NY-06-0064	CBD Off-Peak Fare-Free Transit (Albany, NY)	UPM	325,904
WA-06-0010	Price and Service Improvements (Vancouver, WA)	UPM	300,000
NE-06-0003	Transit Resource Productivity Improvement (Omaha, NE)	UPM	233,200
OH-06-0027	Transit Resource Productivity Improvement (Columbus, OH)	UPM	352,000
WI-06-0006	Parking Pricing (Madison, WI)	UPM	821,221
GA-06-0012	Evaluation of Intermodal Fare Collection (Atlanta, GA)	UPM	126,000
TN-06-0006	Fare and Service Improvements (Knoxville, TN)	UPM	229,000
AZ-06-0009	College Student TFP Program (Tucson, AZ)	UPM	113,680
CA-06-0126	Residential Parking Permit and Transit Expansion (Hermosa, Beach, CA)	UPM	299,950
CA-06-0129	Residential Parking Permit (Santa, Cruz)	UPM	319,700
DC-06-0277	Federal Gov't Employee Parking Evaluation (Washington, DC)	UPM	90,000
CA-06-0137	Design of an Integrated Fare Prepayment Demonstration (San Francisco, CA)	UPM	50,000
MO-06-0011	Reduced Fare CBD Zone (St. Louis, MO)	UPM	292,546
HI-06-0044	Public Relations Program for Road Pricing Feasibility (Honolulu, HI)	UPM	117,200
MN-06-0013	Variable Work Hours/Employee Pass Demonstration (Duluth, MN)	UPM	254,559
CA-06-0140	Parking Management and Employee Incentive Program (Los Angeles, CA)	UPM	520,689

Project Number	Nature of Project	UMTA Office Responsible	Cost (Federal Share)
PA-06-0055	Promotional Reduced/Free-Fare Demonstration (Scranton, PA)	UPM	$ 188,537
WA-06-0018 WA-52-0001	Price Incentives Through Merchant/Transit Opertor Coordination (Spokane, WA)	UPM	380,817
MN-52-0001	Free Ride Distribution Promotion (Minneapolis/St Paul, MN)	UPM	315,489
IL-06-0045	Fare Integration (Chicago, IL)	UPM	700,000
CA-06-0149	Develop an implementation plan for a paratransit brokerage system for a four city area (Los Angeles, County, CA)	UPM	25,000
MA-06-0089	Auto Restricted Zone Demonstration (Boston, MA)	UPM	2,091,955
TN-06-0008	Auto Restricted Zone Demonstration (Memphis, TN)	UPM	960,000
RI-06-0010	Auto Restricted Zone Demonstration (Providence, RI)	UPM	960,000
IT-29-2001	High Speed Bus Service and an Improved Passenger Information (Northern, VA)	UPM	175,000
FL-06-0019	Zoned Bus Demonstrations (Miami, FL)	UPM	448,800
IT-06-0187	Three Demonstration of Priority for HIgh Occupancy Vehicle (San Francisco, CA)	UPM	950,000
NY-06-0056	Pedestrian Mall Bus Preferential Treatment on Broadway in NYC (New York, NY)	UPM	500,000
TX-06-0018	Contra-flow lanes, Ramp Metering and Park-n-Ride Lots in Four Freeway Corridors (Houston, TX)	UPM	1,051,760
MN-06-0011	Operational Test of Improved Reliability Strategies (Minneapolis-St Paul)	UPM	239,630
PA-06-0053	Signal Preemption for Trolley Buses (Philadelphia, PA)	UPM	1,028,080
PA-06-0058	Demonstrate Automated Bus Passenger Information System (Erie, PA)	UPM	493,946
VA-06-0079	Revised Transit Routes (Hampton, VA)	UPM	556,536

Project Number	Nature of Project	UMTA Office Responsible	Cost (Federal Share)
CA-06-0145	Evaluate Efforts on Reliability of Route and Schedule Changes (Los Angeles, CA)	UPM	$ 199,140
NY-06-0082	Effective Reserved Curb Lane (New York, NY)	UPM	788,300
IL-06-0038	RTA serves as an umbrella coordinating agency for paratransit projects in six suburban communities (Chicago Metro Area, IL)	UPM	725,188
CA-06-0114	Bicycle use integrated with the fixed route transit system including bike trailers on buses and bike lockers (Santa Barbara, CA)	UPM	182,000
CA-06-0097	Implementation of computerized dispatching for dial-a-ride system (Orange County, CA)	UPM	2,671,167
CT-06-0008	Brokerage demonstration. Paratransit integrated with a fixed route bus system, pricing strategies also included (Bridgeport, CT)	UPM	999,205
NY-06-0055	Demonstration of high speed over-the-water transportation offering a variety of community and other services (New York, NY)	UPM	995,000
DC-32-0001	Lease and test surface effect ship (Washington, DC)	UPM	300,000
VA-06-0050	Planning and implementation of a ridesharing demonstration (Hampton/Newport)	UPM	570,000
CA-06-0127	Evaluation of recent taxi regulatory revisions (San Diego, CA)	UPM	90,564
WA-06-0019	Evaluation of recent taxi regulatory revisions (Seatle, WA)	UPM	81,000
AL-06-0003	Demonstration of user side subsidy for elderly and handicapped with public bus systems and taxi operators (Montgomery, AL)	UPM	465,449
FL-06-0015	Total accessibility demonstration (Palm Beach, FL)	UPM	689,000
IL-06-0034	User-side subsidy for general community with taxicab and private fixed route transit operators chosen thru a periodic bidding procedure (Danville, IL)	UPM	1,197,317

Project Number	Nature of Project	UMTA Office Responsible	Cost (Federal Share)
IL-06-0039	Retrofit entire fleet of buses in a small fixed route transit system with wheelchair lifts (Champaign-Urbana)	UPM	$ 520,040
MA-06-0076	User-side subsidy involving taxi and private bus company for elderly and handicapped trips (Lawrence, MA)	UPM	491,435
NC-06-0003	User-side subsidy demonstration (Kinston, NC)	UPM	193,583
NJ-06-0008	Coordination of social service transportation in a county (Mercer Co., NJ)	UPM	195,960
NY-06-0053	Specialized service for elderly and handicapped through funding coordination (Lower East Side Manhattan, NY)	UPM	450,000
WV-06-0008	Statewide Transportation Renumeration Incentive Program (TRIP) to provide reduced priced tickets to transportation disadvantaged (State of West VA)	UPM	2,019,856
AZ-06-0006	To develop a transit system for the Reservation, incorporating other funding sources (The Navajo Indian Reservation)	UPM	420,000
PA-06-0042	To demonstrate agent/broker as coordinator of elderly and handicapped paratransit services (Allegheny County, PA)	UPM	1,900,000
CT-06-0010	Inner city mobility/neighborhood based transportation system (Bridgeport, CT)	UPM	360,000
WA-06-0017	Study of elderly and handicapped features along trolley routes. Accessibility map for downtown coordination of paratransit (City of Seattle)	UPM	85,000
DC-06-0238	Develop sensitivity training program for operators and users of accessible buses (Washington, DC)	UPM	410,618
DC-06-0239	Conduct training program in cooperation with GWU for operators of accessible buses. Conduct outreach program to potential users (Washington, DC)	UPM	240,000
DC-06-0303	Study of human service agency transportation insurance requirements and programs (Washington, DC)	UPM	31,000
CA-06-0136	Demonstrate user side subsidy as means of administering a coordinated human service transportation program (Chico, Ca)	UPM	125,000
CA-06-0142	Provide inner-city recreational transit service for transit dependents to parks accessible by auto (Los Angeles, CA)	UPM	100,000
CA-06-0134	Develop a coordination plan for the San Diego region in a joint effort with the city, CALTRANS, and the metropolitan planning organization (San Diego, CA)	UPM	160,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible	Cost (Federal Share)
IT-06-0231	Development and pilot testing of workshops to improve transit productivity	UPM	$116,000
MI-06-0019	Development of site specific program in Detroit to identify and assist "troupled" employees	UPM	$155,000
IT-06-0252	Evaluation of bus driver selection materials	UPM	$ 90,000
MA-06-0105	Develop training programs for handicapped transit employees	UPM	$175,000
PA-06-0045	Case studies in mass transit approaches to human resources	UPM	$ 30,000
MD-06-0062	Demonstration in novel approaches to industrial relations issues	UPM	$243,000
WV-06-0011	Development of bus driver and bus mechanic training materials	UPM	$2,750,000
CA-06-0123	Development of self-train system for bus drivers using computer-linked CRT	UPM	$112,000
CA-06-0131	Demonstration in Southern California on multi-agency approach to training	UPM	$270,000
NY-06-0079	Demonstration in upstate New York on multi-agency approach to training	UPM	$200,000
IT-06-0238	Development of a clearing-house for transit marketing materials	UPM	$ 70,000
NY-06-0075	Testing of new graphics in subway stations	UPM	$ 41,000

CA-06-0135	Development of a regional transit marketing approach in a major metropolitan area where many operators provide mass transit	UPM	$ 60,000
IN-06-0010	Demonstration of contemporary marketing techniques in a transit environment	UPM	$ 40,000
IL-06-0032	Demonstration of the use of closed circuit TV to promote security in high crime transit stations	UPM	$630,000
IT-06-0029	Development of a standard specification of diesel bus maintenance manuals	UPM	$360,000
MI-06-0023	Demonstation of the use of the above-noted maintenance manuals	UPM	$750,000
IT-06-0173	Development and demonstration of an automatic diagnostic system for detecting flaws in diesel buses	UPM	$600,000
MA-06-0094	Develop a "second generation" computer system to assign vehicles and manpower to bus routes	UPM	$300,000
MA-06-0021	Demonstrate the use of previously developed automatic data capture systems for monitoring bus performance	UPM	$200,000
MA-06-0018	Develop system of performance measures for all transit systems in a state	UPM	$ 25,000

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
CA-06-0153	An examination of experiences in California using shared-ride taxis in public transportation programs.	UPP	$50,000
DC-06-0150	Study to determine how paratransit can improve mobility and reduce cost.	UPP	$120,000
DC-06-0210	An investigation of shared-ride taxi experiences across the country.	UPP	$60,000
DC-06-0221	Jointly funded study of the future of large cities and the role of public transportation in their evolution.	UPP	$120,000
DC-06-0225	Identify innovative ways local governments are using parking as a means of improving urban environment and public mobility.	UPP	$39,974
DC-06-0226	Study of the impact of public transportation on the economic growth and health of post industrial cities.	UPP	$60,000
DC-06-0263	Analysis of commuting and other travel related trends in the context of socio-economic changes since 1970.	UPP	$98,360
DC-06-0264	Analysis of travel to work data from 1979 annual housing survey.	UPP	$45,000
DC-06-0275	Study of ways local government have improved center city circulation through low cost means and joint public/private development.	UPP	$60,000
DC-06-0279	Funds TRB to conduct conferences, workshops and studies on fares, pricing, transportation services for special user groups, conventional transit service innovations, transportation planning and management, etc.; contributes to annual TRB meeting, field visit program and newsletters.	UPP	$772,153
DC-06-0299	Data assembly for use in Section 5 and 16(2)(b) evaluation studies.	UPP	$10,000

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share
DC-06-0306	A study of local officials' perceptions of current needs and problems in local transit financing issues.	UPP	$83,000
DC-06-0301	An examination of the role of the transportation Improvement Program in the public transportation planning process.	UPP	$82,000
DC-06-0308	A study of local efforts to integrate air quality, energy and transportation planning.	UPP	$84,000
DC-06-0309	Participation in DOT research in future urban transportation systems analysis and travel budget constraints implications.	UPP	$10,000
DC-06-0334	Dissemination of policy-oriented reports.	UPP	$26,500
IT-06-0103	Study to reduce cost of Light Rail Transit through surface operation, self-service fares, and standardization.	UPP	$60,000
IT-06-0249	An analysis of paratransit labor protective arrangements and Department of Labor determinations.	UPP	$48,500
IT-06-0259	Identification and analysis of future market for urban transportation.	UPP	$185,000
IT-06-0270	Study extent of rail transit deterioration and cost to rehabilitate.	UPP	$200,000
MA-06-0094	The use of parking as a tool for directing future growth and urban revitalization.	UPP	$40,000
MD-06-0078	Compile information on characteristics of MPO's and description of relationships between data elements.	UPP	$29,000
MD-06-0080	An analysis of operating trends within the taxicab industry and a discussion of major problem areas.	UPP	$99,500
NC-06-0005	A grant to provide technical assistance to taxi operators in rural communities of North Carolina.	UPP	$28,200
TN-06-0011	An examination of private transportation operators' perceptions of the difficulties and obstacles to participating in the planning of local transportation.	UPP	$62,300

UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
CA-06-0150	To develop training module for minority businesses as possible suppliers to manufacturers of transit vehicles; to undertake marketing component.	UPP	$345,000
CA-06-0151	To recommend to UMTA guidelines pertaining to development of Section 16 (elderly) civil rights program component.	UPP	$ 70,000
DC-06-0282	To examine particular transit needs of females and to make programmatic recommendations to UMTA	UPP	$ 75,000
DC-06-0296	To provide technical assistance to UMTA grantees to enable them to come into full compliance with UMTA civil rights requirements.	UPP	$217,150
DC-06-0301	To investigate allegations of Title VI violations by Chicago Transit Authority.	UPP	$134,135
DC-06-0320	To promote minority participation in small business through workshops to be held in conjunction with White House Conference on Small Business (by Small Business Administration).	UPP	$ 10,000
DC-06-0324	To develop manuals for UMTA use covering Office of Civil Rights operations; to develop automated data processing system for Office of Civil Rights.	UPP	$ 80,000
DC-06-0328	To examine transit authority recruitment patterns of upper echelon personnel over a three year period in order to ascertain impact on minorities and females.	UPP	$129,950
NJ-06-0013	To investigate Title VI allegation of discrimination against the Dallas Transit System.	UPP	$ 10,000

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UMTA RESEARCH AND DEVELOPMENT ACTIVITIES

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
CA-11-0020	To develop "norms" for a standard set of performance indicators and comparing these norms across different types of fixed-route bus operations.	UPP	$69,177
CA-11-0020	To determine the manner in which alternative energy availability configurations are likely to affect urban public transportation use.	UPP	$40,204
FL-11-0002	To provide for the training of individuals, especially minorities, in entry level transportation management functions.	UPP	$50,004
IA-11-0004	To produce a comprehensive state-of-the-art literature review on integrated planning and facilities design for pedestrians.	UPP	$13,658
IL-11-0012	Monitoring the implementation of innovative public transportation services.	UPP	$89,994
IL-11-0028	To connect the technical and manpower resources of the University of Illinois at Chicago Circle (UICC) with the salient transport needs in its urban environment via research and training activities.	UPP	$348,698
IL-11-0029	To examine the equity of transit investments and services by investigating the redistributive impact inherent in a transit project.	UPP	$50,400
IN-11-0005	To improve transit productivity and efficiency measures by in-depth field applications and evaluation by conducting before-and-after studies.	UPP	$61,952
KY-11-0001	To analyze the role of women in family transportation.	UPP	$53,629
MA-11-0035	To examine transit operators' responses to the pressures of: short-range transit improvement; fiscal conservatism; future energy shortages; and service planning methods.	UPP	$287,515

Project Number	Nature of Project	UMTA Office Responsible*	Cost (Federal Share)
MA-11-0036	To identify improved means of communicating information with visually impaired users of rail rapid transit.	UPP	$80,000
MI-11-0004	To develop a procedure for optimally locating layover sites within a transit network.	UPP	$69,963
MN-11-0004	Development and implementation of dynamic methodologies for evaluating energy conservation strategies.	UPP	$70,033
NC-11-0009	To assist in helping to meet regional transportation needs of small cities and rural areas in the Southeastern U.S. by conducting and coordinating transportation research and training programs at NCA&T and UNCCH.	UPP	$350,000
NC-11-0010	Optimal design methodology for elevated Automated Guideway Transit spans.	UPP	$60,000
NH-11-0001	Study of conjoint analysis concepts as applicable to UT planning.	UPP	$73,500
NJ-11-0008	Policy sensitive interactive computer graphics for urban transportation planning.	UPP	$65,775
NJ-11-0009	Analysis of incentives for living closer to where you work.	UPP	$53,768
NJ-11-0010	A quantitative assessment of the impacts of fare structure, subsidy expenditures, and tax burdens on low income and minority groups.	UPP	$75,364
NY-11-0022	Transportation-land use interactions.	UPP	$69,905
NY-11-0023	To focus on selected real world transportation problems as faced by responsible transportation officials.	UPP	$350,000
NY-11-0025	Research workshop for minority faculty.	UPP	$180,000
PA-11-0019	Long range prospects and requirements for urban public transportation.	UPP	$68,213
PA-11-0022	Effect of budgetary conditions on transit decision-making service, and impacted groups.	UPP	$70,935
PA-11-0023	To study and assess the feasibility and methodology for reducing train crew size for increased productivity of rail transit.	UPP	$69,791
PA-11-0024	User response to time of day variations in transit service level and reliability.	UPP	$69,791
TX-11-0011	Paratransit integration in medium and small cities.	UPP	$68,101
TX-11-0012	Executive seminar for upper-level transit management.	UPP	$69,444
TX-11-0013	Development of practical manuals for operating local elderly and handicapped transportation systems.	UPP	$38,582
VA-11-0010	To develop a set of unified transit market identification, service evaluation, and management decision procedures.	UPP	$69,438
WA-11-0008	Design of consumer oriented transit services to regional malls.	UPP	$73,284
WI-11-0007	Examination of alternative methods for organization of transportation planning functions.	UPP	$56,183
WV-11-0003	Research and training in AGT energy requirements, integration with other modes and optimum route alignment.	UPP	$290,000

FARGO, NORTH DAKOTA

Senator Andrews: As I know you are well aware, many of our smaller towns have been having a great deal of difficulty because of the regulation requiring wheelchair lifts on city buses.

In Fargo, North Dakota, for example, we have a Dial-A-Ride program, whereby any handicapped citizen can make a phone call, be picked up at his or her home and taken anywhere in the City. I think that you can realize that few wheelchair users are going to wait for up to an hour on a corner for a bus when the temperature is 25 degrees below zero. It would seem to me that these regulations could be applied reasonably. In the case of Fargo, even our handicapped groups are against the expenditure of funds to purchase buses with wheelchair lifts. What are you doing about this problem? Can you grant a waiver? Is there anything that can be done for these cities that are up against a timetable? They have ordered buses, and have a very short time to cancel the lifts if a waiver of any kind could be arranged.

Response: The Department of Transportation's regulation implementing Section 504 of the Rehabilitation Act of 1973 currently requires that all new buses must be accessible to handicapped persons, including wheelchair users. The Department's regulation was designed to be consistent with binding Guidelines issued by the Department of Health, Education and Welfare and which now are under the jurisdiction of the Department of Justice. UMTA and DOT support giving local communities greater flexibility in meeting the transportation needs of handicapped persons. To this end, the Department has transmitted to the Congress the proposed Transit Assistance Act of 1981. Section 108 of the bill provides for local option for transit for the handicapped. However, we cannot anticipate that the proposed legislation will be passed in the near future or that any legislation eventually passed will resemble that proposed. At the same time, DOT is proceeding to change the Section 504 regulation administratively.

As you may know, the Presidential Task Force on Regulatory Relief has identified DOT's Section 504 regulation as one of the Federal regulations deserving priority review. At the present time, the options DOT may consider for regulatory change as part of this review are constrained by the HEW Guidelines. DOT has requested that the Department of Justice consider making changes to the guidelines which would permit DOT to make a regulatory change. Although we are aggressively seeking to make a regulatory change, no specific time schedule has been established for review and revision of the regulation.

Until a statutory or regulatory change is accomplished or unless a recipient is granted an exemption from the regulations, the requirement in 49 C.F.R. § 27.85(b) that all new buses be accessible remains in effect and the Department has no option but to enforce the requirements of the regulation as they currently exist.

The Department has taken the position, based on an opinion of the Deputy General Counsel, that pursuant to practices under the Administrative Procedure Act, exemptions can be granted only for unique circumstances and only for reasons not considered during the rulemaking process. The regulation itself contains no exemption authority. Instead, exemptions have been granted or denied under the Secretary of Transportation's general exemption authority at 49 C.F.R. § 5.13(c). That authority for the purpose of Section 504 exemptions on buses has been delegated to the Assistant Secretary for Policy and International Affairs. Under that authority and pursuant to the standards discussed above, all but two exemption requests have been denied. The two cities granted exemptions, Albany, New York and Philadelphia, Pennsylvania, assured the Department that they fully intended to meet the "program accessibility" requirements of the regulation. Their exemptions dealt with the rehabilitation of older buses and involved minimal impacts to Albany's and Philadelphia's plans to achieve program accessibility.

UMTA and DOT are sensitive to the concerns of cities like Fargo that prefer providing alternative transportation service for the handicapped to purchasing lift-equipped fixed route buses. Nevertheless, the law requires that new buses be lift-equipped and recipients of DOT funds must comply with existing law unless and until the law is changed.

OBJECTIVES FOR FY 82

Senator Andrews: What are UMTA's top three objectives for FY 82?

Response: I would say that our three most fundamental objectives for fiscal year 1982 are:

1. enactment of our proposed legislation phasing out Federal operating subsidies, which would start the process of reducing dependence on the Federal presence;

2. reducing Federal intrusion into State and local decision-making by undertaking a thorough review of all UMTA's regulations and other program guidance and eliminating any unnecessary burdens or red-tape; and

3. contributing to the President's Economic Recovery Program by redirecting UMTA's program activity to eliminate non-essentials and to put emphasis on cost-reduction and productivity improvement.

FEDERAL REGULATORY BURDENS

Senator Andrews: In conjunction with reducing the Federal role in financing transit operations, what is UMTA doing to reduce the Federal regulatory burdens placed on these local operating authorities?

Response: UMTA has taken action on five regulations that were postponed in response to the President's memorandum of January 29, 1981. We have proposed to withdraw the Bus Rehabilitation regulation and the Bus Stockpiling regulation, having determined that issuing them as guidance material for UMTA grantees will allow for greater flexibility in dealing with special circumstances, and have withdrawn the Urban Initiatives regulation as unnecessary. However, we found that the Buy America amendments and the amendments to Public Hearing Requirements for Section 5(i)(3) clarify and relax requirements, respectively. Therefore, both became effective on March 31, 1981.

UMTA also has proposed to review program guidance and several regulations to determine whether it would be possible to make additional reductions either in cost or in unduly burdensome requirements. Proposed for review are: the Buy America regulation; the capital assistance program guidance for the Sections 3, 5, and 16(b)(2) programs, the Interstate Transfer program and the FAUS program; the Section 18 regulation; the Charter Bus regulation; and the Public Hearing Requirements for Section 5(i)(3). We are also studying the effects of eliminating the ADB (white book) specifications as requirements. Furthermore, we plan to pursue with the Department of Labor possible administrative changes in the Section 13(c) labor protection requirements. UMTA also is participating in the DOT's review of the Section 504 regulation.

In addition, UMTA has offered a legislative proposal that includes a Section 504 local option provision, local option for public involvement in fare increases, and elimination of the elderly and handicapped half-fare requirement. If these proposals receive favorable action in Congress, they will lay the foundation for additional regulatory changes.

INTERSTATE TRANSFER GRANTS

Senator Andrews: What plans do you have for the use and cut back of Interstate Transfer grants? How do these grants and their funding levels compare with FHWA's Interstate Transfer grants and cut backs?

Response: With respect to funding levels for the Interstate Transfer grants, the FY 81 supplemental appropriation request for $250 million is being withdrawn. The FY 82 amended request provides for a continuation of approximately the FY 81 budget level for Interstate Transfer transit projects of $600 million. The FY 81 funding levels included funds for both highway and transit substitute projects while in FY 82 the funds for highway substitute projects are being requested as part of FHWA's budget. Both highway and transit substitute projects are anticipated to be funded in FY 82 at approximately the same level as FY 81. In FY 81, the $800 million in Interstate Transfer funds (excluding the withdrawn supplemental appropriation request for $250 million) was split between UMTA and FHWA with approximately $618 million for use by UMTA and $182 million assigned to FHWA.

COMMITMENTS

Senator Andrews: You mentioned twice in your testimony that it is your intention to continue funding projects for which commitments have been made and complete them to operable segments. How are you defining the term "commitment?" Does that include those projects which have no "Letter of Intent?"

Response: We are currently reviewing the status of all projects which are under development. Due to the current state of the economy and the Administration's efforts to control inflation, commitment definitions are being considered in terms of construction status and letters of intent. Projects which have letters of intent and are already under construction will be funded until operable segments are completed. Other projects will be postponed until the economic situation improves.

UMTA'S PROPOSED LEGISLATIVE PACKAGE

Senator Andrews: Please provide for the record the major points included in your proposed legislative package.

Response: Major points included in our proposed legislative package are:

I. Discretionary Capital Program (Section 3)

A. Maintenance Requirement- Amends the Section 3 program to require that recipients of capital grants have the technical and financial capability to maintain facilities and equipment that are purchased with Federal funds. Since operating assistance is proposed to be phased out, there is a Federal interest in ensuring that operating costs are not turned into capital costs by deferring maintenance.

B. Federal Share- Revises the Federal share ratio for Section 3 capital projects. The statute currently requires the Federal government to pay precisely 80% of the project cost. The amendment would revise the Federal share to "not to exceed 80%".

II. Formula Grants Program- Urbanized (Section 5)

A. Amendments to Operating Assistance Tiers- Phases out operating assistance by FY 1985. The operating assistance will be gradually reduced after FY 82 in order to give state and local governments time to adjust their programs and funding mechanisms. Revises the operating assistance tiers to require that the formula be based on the 1970 Census. Retaining the use of the 1970 Census count during the period will ensure that the limited funds that are available will be allocated among recipients in the same ratio as they were since the inception of the program in 1974.

B. Public Hearings for Fares- Amends the current statute which requires a public hearing prior to changes in fares or service. This amendment would revise the statute to permit a "locally developed process" to obtain public comment prior to such changes.

C. Half Fare Requirement- Repeals the current requirement that transit operators who receive Federal funds must provide off-peak

service to elderly and handicapped persons at half fare. This requirement is being repealed because it is a Federal intrusion into the non-Federal area of determining local fares.

III. Formala Grants for Non-urbanized Areas (Section 18)

A. Operating Assistance- Discontinues the operating assistance component of Section 18 after FY 1982.

IV. Other Programs

A. Section 504 Transportation Service for Handicapped Persons- Includes a provision that would allow recipients of Federal assistance to meet Federal requirements for the transportation of handicapped persons using approaches other than making the entire transit system accessible. The amendment is based on a "local option" provision that would permit local communities to develop services that would be reasonably comparable.

B. Terminal Development - Repeals Section 21 of the UMT Act whichauthorizes grants for terminal facilities to be primarily used in providing intercity bus service. Program has never received appropriations from Congress.

C. Intercity Bus - Repeals Section 22 of the UMT Act which authorizes grants for intercity bus service. Again, this program has never received appropriations from Congress.

NEW BUS ACQUISITIONS

Senator Andrews: The most recent semi-annual report of the Office of the Inspector General points out that the principal criterion used by UMTA in reviewing and approving requests for assistance in new bus acquisitions is the age of the requestor's existing buses. According to the report, alternatives to bus replacement such as rehabilitation are not always considered. The report recommended that you develop procedures for determining bus requirements and request grant applications for new buses to include a cost-benefit analysis to justify replacement in lieu of rehabilitation. What actions have you taken in response to these recommendations?

Response: UMTA has published no formal procedures for evaluation nor mandatory requirements for cost-benefit analyses by grantees of the bus rehabilitation alternative prior to determining new bus requirements. However, UMTA does use criteria such as mileage, vehicle condition, and maintenance practices in evaluating requests for bus replacements. Although UMTA encourages grantees to consider the bus rehabilitation alternative, the decision to rehabilitate buses is a local one. As the benefits of bus rehabilitation become proven and more widely known, UMTA expects that alternative to be implemented on a much broader scale.

WATERBORNE DEMONSTRATION PROJECT

Senator Andrews: In your testimony, you stated that you were requesting rescission of the Waterborne Demonstration project. What has been done on this project to date, where, and how much money has already been spent?

Response: To date a total of $300,000 has been spent on the Waterborne Demonstration Project.

The project expenditure was for a joint effort between UMTA and the United States Coast Guard to test the Bell Halter 110 ft. Surface Effect Ship (SES) under a variety of conditions (weather, water, and so forth). The test duration was for one month, with preliminary tests for seven (7) days; performance tests for three (3) weeks; vessel-crew interface two (2) weeks; and vessel reliability/availability/ maintainability one (1) week.

The test took place in Norfolk, Virginia in March of 1980. The vehicle was tested in both the ocean and the bay. A final report is now being prepared.

Questions Submitted by Senator Chiles

MIAMI DOWNTOWN PEOPLE MOVER PROJECT

Senator Chiles: As you know, the 21-mile Miami rail system is well underway, and an integral part of this rail project is the central business development loop, also referred to as the Miami Downtown People Mover. Almost $600 million has been spent to date on this project and we are all interested in seeing that it is completed.

As you may also know, the original plan for the rail system was changed so that it would not go through the central business district of Miami. This was done to save money. It was also done with the understanding that the People Mover would loop through the business district.

Secretary Lewis at numerous press briefings and before the Florida Delegation last month has expressed an understanding of the importance of this loop to the entire Miami rail system. At times the Secretary has seemed to imply that the project would be funded and at other times his statements have seemed to imply that he is still not sure as to whether or not it will be funded. Mr. Trent, I wonder if you could clarify for the Committee, as well as many of us from the State of Florida, and many of our friends in Miami who are interested in this project, whether or not UMTA intends to fund the central business development loop of the Miami rail system.

As you know, UMTA Administrators have sent at least three letters to Dade County officials assuring them that the project would be funded.

Mr. Chairman, I would like to have these letters inserted in the record at this point.

Response: The Department has reviewed the Miami Downtown People Mover project and has determined that funding will be provided consistent with former Administrator Page's letter to Dade County Manager Stierheim on May 4, 1979 committing $19.2 million to the project.

MAY 4 1979

Mr. M. R. Stierheim
County Manager
Metropolitan Dade County
Room 911, Courthouse
Miami, Florida 33130

Dear Mr. Stierheim:

I appreciated meeting with you and Dr. Dyer on April 30 to discuss the Stage I rapid transit system and the proposed Downtown People Mover (DPM) for Miami.

As a result of these discussions, I am pleased to re-affirm our support for the Stage I system and to indicate to you that a letter of intent and a full funding contract for the project will be processed shortly. These documents will finalize the maximum Federal commitment to the project.

Your transit program has included plans for a DPM, and both Mr. Patricelli in December, 1976 and I in December, 1977 expressed our support for the project. We further indicated we would be prepared to permit you to use funds for the project if adequate cost savings or reprogramming from rapid transit construction could be achieved.

On May 9, 1978, I approved funds for engineering of the DPM and these studies are now in progress. We look forward to reviewing these studies and we are prepared to support construction of the DPM up to a maximum limit of $19.2 million. This would be a commitment over and above the full funding contract and would be subject to the future availability of funds from Congress.

I hope this information is helpful to you.

Sincerely,

Richard S. Page

Richard S. Page

Mr. M. R. Stierheim
County Manager
Metropolitan Dade County
Room 911, Courthouse
Miami, Florida 33130

DEC 14 1977

Dear Mr. Stierheim:

I am writing in response to the County's Premium Funding Proposal, which you presented to me at our meeting on September 26, 1977. This proposal would require UMTA to contribute a total of $56,700,000 in additional Section 3 funds in order to fund the four mile Hialeah link as part of the Stage I Rapid Transit System in Dade County. The Premium Funding Proposal would also require Dade County, the State of Florida, and the City of Hialeah to contribute a total of $43,300,000 as the remaining share which would bring the total cost to $100,000,000 and result in the Stage I system in Metropolitan Dade County increasing from 16.5 miles to approximately 20.5 miles in length.

As you know, UMTA's commitment to the Stage I rapid transit system was set at $575 million in former Administrator Patricelli's letter of January 19, 1977. Although we have allowed the County to proceed with preliminary engineering on the four mile segment from N.W. 65th Street to Hialeah, we have always indicated that the first call on our funding commitment must be for the construction of an initial 16.5 mile segment from Dadeland to 65th Street N.W.

Our decision to initially fund only a 16.5 mile Stage I system was based on the assumption that adequate yard and shop sites were available between Dadeland and 65th Street N.W. UMTA's December 22, 1976 letter specifically requested the County to consider separated storage and maintenance facilities so that smaller parcels of land along the proposed right of way could be used.

Now that this re-examination has been completed, I am convinced that none of the available maintenance and storage sites along the present 16.5 mile right of way are in fact operationally or environmentally viable. As a result, UMTA has given careful attention to your Premium Funding submission and will be prepared when funds are available to amend the project to modify the Federal and local shares accordingly.

Not only will construction of a major maintenance and storage facility in the Hialeah area be less disruptive than at another location, but the availability of land in Hialeah will enable the County to build a facility that will maximize operating efficiency. Additionally, in again considering the Hialeah segment, we have been cognizant of the growth in population and job opportunities expected along the four mile segment and the improved transportation accessibility that the segment will bring to a large minority community. Moreover, your long held position that a Hialeah extension is important to the viability of a Stage I system is supported by the willingness of the County to significantly increase the non-Federal contribution that would ordinarily be necessary for such a project.

In order to provide the Federal funding to expand the Stage I rapid transit system from 16.5 to 20.5 miles, UMTA is prepared to increase

its Federal commitment from $575 million to $632 million. This will enable you to complete the Environmental Impact Statement and commence engineering on the 20.5 mile system. I must make it clear, however, that these additional funds are not available from present budget authority. On your part, the local share commitments for the Premium Funding Proposal from Dade County, the City of Hialeah, and the Florida Department of Transportation should be finalized as soon as possible. Upon receipt of these assurances, UMTA will authorize the County to proceed with the Hialeah segment, including an appropriate yard and shop site, on the same basis as you are proceeding on the remaining 16.5 miles of the system.

I am also pleased to report to you that, upon receipt of a Section 13(c) certification from the Department of Labor, UMTA will approve the County's pending application for preliminary engineering of a Downtown People Mover system in the City of Miami. We will be prepared to permit you to use funds within the ceiling to implement the construction of the DPM only if adequate cost savings can be achieved from the rapid transit construction program and when the $57 million in additional Federal funds becomes available.

I must re-iterate that no construction funds for the Stage I system will be approved until all of the conditions specified in UMTA's March 4, 1976 letter are met. I do hope that the decisions I have announced today will be conducive to an early resolution of these matters.

Sincerely,

Richard S. Page

Richard S. Page

DEC 2 2 1976

Honorable Stephen Clark
Mayor
Metropolitan Dade County
242 Courthouse
Miami, Florida 33130

Dear Mayor Clark:

I am writing to inform you of the results of our evaluation of materials submitted by Dade County in response to my March 4, 1976 letter regarding your proposed rapid transit line, and of our decision on the County's proposal for a Downtown People Mover (DPM). As is consistently the case, the technical work carried out by your staff has been of high quality and has facilitated our analysis of these significant, interrelated transportation improvements for the County.

It is our judgement that the County has adequately justified implementation of a heavy rail grade-separated rapid transit line, with an initial segment running between Dadeland and 65th Street, N.W. Further, the County has made a strong case for significantly improved downtown distribution as a means of encouraging greater rapid transit useage and alleviating current and projected downtown circulation problems. However I regret to inform you that your DPM proposal was not successful, during the intense competition with the other applicants, in surviving

this final round of the evaluation process. I would like to elaborate on each of these decisions.

With respect to the rapid transit line, subject to successful completion of engineering for the Dadeline to 65th Street, N.W. segment and to the satisfaction of all statutory requirements, UMTA is prepared to commit between $500 and $600 million for project implementation. Accordingly, we believe that an initial operable rapid transit segment, including necessary parking facilities, feeder buses, and other support equipment and facilities, should be defined within the $500 to $600 million Federal funding level, plus any available Federal-aid highway funding and non-Federal matching funds.

This level of proposed Federal funding is somewhat lower than that projected in your responses to my March 4 letter. I believe that several possible cost saving approaches may be possible and should be examined in detail in the engineering phase. The ridership forecast for either alternatives A-7 or A-8 north of 65th Street N.W. were substantially lower than the rest of system and, based on our analysis, do not warrant inclusion in the rail system at this time. We believe that storage and maintenance of rolling stock at a single yard location are not critical to system operations and safety. It may well be that storage and maintenance functions can be separated, as is the case with numerous other rapid transit systems, so that smaller parcels of available land along the proposed right-of-way can be used.

With regard to your Downtown People Mover proposal, we found your plan to be justified and highly supportive of your rapid transit and urban development programs. We regret that superior aspects of other competing proposals and our own funding limitations make it impossible for us to offer you additional funding to implement that project. However, given the importance of improved downtown circulation to your efforts, we would be prepared to permit you to use funds within our $500 to $600 million reservation to implement your proposed DPM if adequate cost savings or reprogramming from rapid transit construction can be achieved.

Regarding other issues of significance, I want to encourage you to move ahead with interim and long-term solutions to bringing buses and carpools directly into downtown, using the I-95 busway. We understand that certain transportation system management techniques can be used which would result in alleviating close-in bottlenecks affecting this important transit facility.

With respect to overall transit system operating costs, we continue to seek a firm indication from the County as to a specific source (or sources) of non-Federal operating funds. I am sure that you share this concern and will continue to seek agreement as to a source at the State and local levels. Naturally, we shall take progress in reaching a consensus on -- or preferally in actually identifying through legislation, local referunda or other appropriate means -- non-Federal operating funding as we move toward actual system construction grants.

As you proceed with engineering, UMTA's staff will be happy to assist whenever necessary. Upon completion of initial segment engineering, environmental reviews, and other statutory requirements, it is UMTA's intention to offer a multi-year, fixed-dollar grant contract to the County.

Sincerely,

Robert E. Patricelli

Robert E. Patricelli

JACKSONVILLE DOWNTOWN PEOPLE MOVER PROJECT

Senator Chiles: Another project of some interest to us in Florida is the Jacksonville People Mover. I understand that this project would be 4.6 miles long; would have 14 stations, and that it would be within 3-minutes walking distance for more than 90% of the people working or living in the central business district of Jacksonville. I'm sure you know that it connects the two portions of Jacksonville separated by the St. John's River, and would be a significant catalyst for new downtown development. This project is clearly not as well advanced as the Miami project and was in the second tier of the old Downtown People Mover program. I understand the preliminary engineering design report is scheduled for completion on December 16, 1981. When that engineering design report is finished, I would like to request that the Department review it. Can you make that commitment to us, Mr. Trent?

Response: Yes, we are prepared to review Jacksonville's preliminary engineering report on the people mover project as soon as it is completed and sent to us.

URBAN INITIATIVES --FUNDS FOR LIBERTY CITY AND OVERTOWN

Senator Chiles: I understand that the Reagan Administration has proposed the elimination of the Urban Initiatives program requested by the Administration. As you know, there were funds included in this program for Liberty City and $6.9 million of the total was approved for a project in Overtown, Florida. Overtown had intended to use these funds to acquire land near a Metrorail station. The funds would also be used to finance demolition of old buildings to make way for a new hotel, office and retail complex. I've heard about this from Jim Reed, the Assistant City Manager in Overtown, and he is understandably quite concerned about it. What can you tell this Committee with regard to the projects previously committed for Overtown and Liberty City?

Response: In FY 81 UMTA intends to limit Urban Initiatives funding to $25.1 million and in FY 82, the limit is to be $12.5 million for those projects currently under construction. Subsequent funding for these types of projects will be available under the overall Urban Discretionary Grant Program. Applicants with eligible projects will be encouraged to reapply for funds under this program.

An $8.0 million Section 3 grant was awarded to Dade County to renovate the North Garage maintenance facility in Liberty City. Dade County is presently acquiring properties for this project, and will soon solicit bids for construction work. Design of the new facility is now complete, and construction will begin in April, 1981.

FEDERAL REGULATORY BURDEN

Senator Chiles: One area of concern that I continue to hear about from local officials in Florida is the UMTA requirement to provide handicapped access for mass transit vehicles. I understand that the current UMTA requirement is that 50% of each urban area's fleet should have special handicapped facilities. In UMTA's legislative package that was delivered to the Hill yesterday, language is proposed to permit local jurisdictions to decide these matters.

Mr. Trent, could you describe for the Committee the nature of this local jurisdiction option that the Department has recommended?

In the interim before this proposed legislation is acted on by the Congress will UMTA change its regulations that are now in effect on this subject?

Recently in hearings before this Committee, Mr. Page, the Director of Metro here in Washington, indicated that they currently have approximately 10% of their fleet equipped with handicapped access buses. Metro Washington has a program whereby if an individual calls in, Metro arranges to have one of these vehicles on any route in the City at any time of day. Mr. Page stated that this has satisfied the demand for this type of service relatively well, and that the demand for the service is extremely low. They have fewer than 200 handicapped riders a day. Does the system such as operated by Mr. Page in Washington, D.C., represent a viable alternative to the current UMTA policy of requiring 50% of a city's fleet equipped with handicapped access buses? If not, why not?

Response: The Department favors a legislative change that would expressly allow recipients of Federal assistance to meet Federal requirements for the transportation of handicapped persons using approaches other than making the entire transit system accessible. Under our approach, one city might elect to make all of its transit buses accessible to handicapped persons but another city might choose to meet its obligations to serving handicapped persons by providing door-to-door, specialized service with vans. We are still working on the exact phrasing of our complete legislative proposal in this area.

The Department intends to pursue legislative and regulatory changes in the Section 504 area simultaneously.

With respect to the question about accessible bus service in Washington, D.C., the issue you pose is at the heart of our current deliberations on the exact phrasing of our legislative proposal. Therefore, we are not prepared to answer the question at this time.

SECTION 5 OPERATING GRANT PROGRAM

Senator Chiles: As you know, the Section 5 operating grants are distributed on a population and population density formula, and that at the end of FY 1980 there were 279 urbanized areas eligible to receive assistance under the program.

I noticed in the Department's legislative package that was delivered to the Hill yesterday that the Department plans to continue to use the 1970 census data for the distribution of Section 5 funds.

Even though you are proposing to eliminate these operatingsubsidies by 1985, it seems to me you should distribute them as was intended by Congress until that time. Clearly the 1980 census tells us where the people are better than the census taken ten years ago.

For my State for example, the 1980 data based on the current formula would bring Florida an additional $10.9 million or a 29% increase in these Section 5 funds. This is only because Florida has experienced tremendous growth in the last decade.

I also understand that while 108 additional cities would be eligible for Section 5 funding by using the 1980 decennial figures, the Department does not intend to provide any funds to these newly qualified cities. There are seven additional cities in Florida that would be eligible to receive these funds (Deland, Fort Pierce, Fort Walton Beach, Naples, Ocala, Titusville and Winter Haven).

Mr. Trent, after we have spent over $1 billion in the 1980decennial census, why is the Department proposing not to use its results. Do you propose to continue using the 1970 data even before your legislative package is enacted into law?

Response: We will be using the 1980 Census data, when it becomes available, as a basis for distributing the Tier IV bus capital funds, because capital formula assistance will be continuing at increased levels.

However, we intend to continue to use 1970 Census data under Tiers 1 and 2 during the gradual phase-out of the operating assistance program. During the phase-out period, we are attempting to provide maximum assistance to the older cities which currently operate the most extensive transit systems. This will allow them the greatest flexibility in making a smooth transition from Federal support to that provided through state, local, business, and farebox sources. We also believe it is inappropriate to allow the 108 new cities to begin to phase in Federal operating assistance during the transition period which should be devoted to moving away from dependence on Federal assistance. These cities will remain eligible for operating assistance under Section 18, until that program is phased out.

ASSISTANCE TO FLORIDA

Senator Chiles: I notice in your budget justification material that the level of Section 5 assistance provided to Florida for FY 1980 was $46.8 million, and the level of capital assistance provided to Florida through September 30, 1980, was $508.4 million associated with 53 separate capital projects. Please provide for the record the operating and capital assistance that was provided for FY 1980 and the amount that is projected for FY 1981. As you know, there is considerable interest and concern with regard to the impact of the Reagan Administration budget reduction proposals. In order to help clarify this situation for Florida, what level of Section 5 and Section 3 funding can be expected for Florida in FY 1982? 1983? 1984? 1985?

Response: Section 3 funds are discretionary in nature, and are allocated to projects annually based on national transit goals and priorities. As such, it is not possible to forecast the level of funds that may be awarded to Florida transit systems. The President's proposed Economic Recovery Plan and 1981 Transit Assistance Act both stress emphasis on new and expanded bus systems, and on rehabilitation and modernization. As such, Florida transit systems should be competitive in the Section 3 program.

Section 5 funds are allocated on a formula basis to each urbanized area of 50,000 or more (based on the 1970 census). In FY 81 Florida urbanized areas are allocated 3% of the national total of Section 5. The President has proposed to eliminate operating assistance while increasing capital assistance through Section 5. Allocations would continue to be based on the 1970 census. If one assumes that Florida will receive 3% of the Section 5 program, the level of funds would be as follows:

FY 82 $45.4 million
FY 83 $34.8 million
FY 84 $25.0 million
FY 85 $15.4 million

Senator Chiles: A number of my constituents from Broward County recently visited me and expressed concern with the proposed capital cuts for Section 3. They explained to me their need to have continuing financial assistance for the acquisition of at least 30 buses a year. Please provide for me what the prospects are for Broward County to continue to receive the needed level of assistance.

Response: Section 3 is a discretionary grant program, with funds allocated each year on national mass transit goals and priorities. The proposed Transit Assistance Act of 1981 stresses the Administration's emphasis on new and expanded bus systems and bus rehabilitation and modernization. Although UMTA has not been able to meet all funding requests from Broward County it has provided funds totalling $25 million for 200 buses, a new maintenance facility, and related equipment (e.g. radios, shelters, shop tools and supervisor autos). Given the emphasis of the new Administration, Broward County should be competitive in its requests for Federal Section 3 funds.

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FEDERAL ASSISTANCE FLORIDA

Senator Chiles: I also had several inquiries from citizens in Citrus County, Florida, regarding the Section 18 program. This non-urban formula grant program can be used for both capital and operating programs. I understand that under this program the operating segments will be discontinued in 1983. Is that correct? What are the authorized funding levels proposed for this program yesterday by the Department, and what impact are these changes likely to have for a community such as Citrus County, Florida?

Response: Yes, it is correct that the operating assistance component of the Section 18 program in non-urbanized areas will be discontinued in 1983. It is the Department's position that the primary responsibility for the operation of mass transit systems should rest with State and local Governments.

The present authorization level of funding for the non-urbanized area is $120 million for the year ending September 30, 1982. The Federal operating assistance will remain available through fiscal year 1982 to provide State and local governments the opportunity to make necessary adjustments in subsidies, fares and service levels. The proposed authorization level is $75 million for fiscal years 1983 through 1986 and is to be used for capital only.

SECTION 5 OPERATING ASSISTANCE

Senator Chiles: While Section 5 is mostly for operating subsidies, capital acquisitions are also permitted. Based on information in the budget justification material (page 72), the level of operating assistance funding from Section 5 decreased from 78% of the total in FY 1979 to 72% of the total in FY 1980. Why is the portion of operating assistance declining? What explains this trend?

Response: Part of the reason there was a decline in the percentage of Section 5 used for operating assistance between FY 79 and FY 80 is because a significant amount of Section 5 Tier IV funds (available only for bus capital projects) remained unobligated at the end of FY 79 and thus were carried over to FY 80 by various localities. FY 79 was the first year of the new multi-tiered Section 5 program. Many areas were either not in a position to advance capital projects in this first year to the point where they could use the capital funds of Section 5 or they elected to carry over or accumulate these funds to undertake projects which require the use of more than one year of funds. As a consequence capital projects were lower in FY 79 than FY 80 as localities, in FY 80, began to spend these "accumulated" capital funds. In addition, localities has to adjust to changes in the Surface Transportation Assistance Act of 1978. This lead to a further carry-over of apportioned funds. Now

that these adjustments are basically complete, UMTA expects the trend of reducing carried over funds to continue.

RESEARCH AND TRAINING

Senator Chiles: The Carter Administration had recommended $85 million for research and training activities. This has been subsequently reduced by $15 million, or by 18 percent. I noticed in the February 18 Reagan Administration package entitled, "A Program for Economic Recovery," the statement was made that while "the merits of research and development are beyond question, in times of budget austerity, R&D programs can be reduced and postponed." In the spirit of this statement, why isn't the R&D program being reduced even more? What would be the effect of a 50% reduction for these research programs? According to the General Accounting Office, many of UMTA's R&D innovations are not widely adopted by the transit industry because UMTA often ignores the barriers to innovation, such as labor restrictions, training requirements and financial considerations. If your research projects evolve from transit operators' request and your R&D products increase efficiency and reduce costs, why do we need financial assistance programs to encourage their adoption. What is UMTA's policy with respect to the identification and consideration of barriers to innovation during the research process?

Response: The reduction proposed for UMTA's R&D programs reflects a shift in emphasis, away from new systems and advanced technology and toward practical improvements that will benefit existing transit service. The total appropriation requested for FY 1982 is not less than $70 million because that amount will be needed to continue an effective program of UMTA R&D activities devoted to managerial improvements and innovations of the kinds that State and local officials will need as they adjust to a reduced level of Federal subsidy of transit operations.

The effect of a 50 percent reduction in UMTA's R&D programs would be disruptive and wasteful, in that it would force an abrupt halt in ongoing work scheduled to yield significant results during the next three to five years. The cost savings from a drastic cutback in UMTA's R&D programs would be "penny-wise and pound-foolish."

In the short run, UMTA's mission of providing assistance for improving mass transportation facilities, equipment, techniques and methods might be fulfilled merely by channeling Federal grant funds to local public bodies which, in turn, could use those funds to purchase off-the-shelf equipment and facilities and to provide transportation service using traditional techniques and methods.

In the longer run, however, to obtain any significant improvements in level of service, productivity, efficiency or reduced costs, UMTA's grantees must have access to innovative and economical technologies, service concepts, and techniques for operating and managing transit enterprises. They must also have information and methods for evaluating alternative approaches to achieving these improvements, especially when the choices involve unfamiliar service concepts, products or pricing mechanisms.

For several decades, the transit operating industry has been unable to respond to its own R&D needs. Its suppliers have not

found it desirable or profitable to conduct any appreciable R&D activities for the transit industry since its future remains uncertain. States and local governments are hard-pressed by inflation and competing demands for scarce tax revenues. Given the national scope of transit R&D needs, State or local officials cannot justify conducting any R&D unless it promises immediate local benefits. Responsibility for coordinating these local efforts and financing R&D with national applicability falls upon the Federal Government, specifically, UMTA.

While, in the past, UMTA may have been unaware of some barriers to innovation in the transit industry, it is an unfair accusation that UMTA often ignores them today. Considerable analysis has been undertaken of barriers to diffusion of technological innovation, sponsored by UMTA, the Department of Commerce and the National Science Foundation. UMTA has three current projects dealing with possible improvements in delivery systems for innovation, one addressing hardware another addressing service and methods innovations, and the third treating computerized planning and management techniques.

The problem of "delivery systems" for UMTA R&D innovations was formally addressed five years ago in the First and Second UMTA R&D Priorities Conferences, in February and November 1976. Since then, many changes have been made in the way UMTA plans and implements its R&D projects to enhance the prospect that results will be implemented. These measures are succeeding, with most noteworthy results to date in the areas of ridesharing, special services to meet the needs of the disadvantaged, reducing costs of rail transit construction, noise abatement techniques, fire-resistant transit materials, and application of computers to improve planning and information for transit management and customer service.

UMTA financial assistance is not always needed to encourage adoption of innovation once the innovation is accepted as proven. During the first applications beyond the experimental stage, however, technical, financial and operational risks are not yet bounded. Cash-short transit operators cannot afford to invest in promising yet risky innovation unless the Federal Government is willing to lend technical assistance in implementing the innovation and to participate financially in proportion to the degree of risk remaining.

FEDERAL REGULATORY BURDEN

Senator Chiles: I noticed in the budget justification that Urban Mass Transportation Administration has issued final regulations as of May 15, 1980, to implement the FY 1980 appropriation requirement (continued in the 1981 Appropriations Bill) that UMTA must be assured that life cycle cost, performance and standardization factors have been taken into consideration by a grantee prior to awarding a procurement contract for any type of rolling stock. I also noticed in your budget justification that UMTA is proposing to eliminate the mandatory requirement that these considerations be met and instead change it to a permissive requirement. As the regulations have already been implemented, why are you proposing to change the bill language to permit these considerations to be made on a permissive basis instead of a mandatory basis?

Response: The May 15, 1980, Notice implemented the requirement in UMTA's 1980 Appropriations Act ". . . that grants

awarded for contracts for the acquisition of rolling stock, including buses, which will result in the expenditure of Federal financial assistance, shall only be awarded based on consideration of performance, standardization, life-cycle costs, and other factors the Secretary may deem relevant, in addition to the consideration of initial capital costs."

Our budget justification did propose changing the mandatory phrase ". . . shall only be awarded . . ." to the permissive phrase, ". . . may be awarded . . .". This change was proposed to make the language in our 1982 Appropriations Act consistent with our basic authorizing legislation, which contains the permissive language, ". . . may be awarded . . .".

However, UMTA's current position on the consideration of these factors by grantees in the award of procurement contracts for rolling stock has changed. This position is contained in the Administration's proposed authorizing legislation, The Transit Assistance Act of 1981.

This legislation would drop Section 12(b)(2) of the Urban Mass Transportation Act of 1964. The reason for dropping this section is to remove DOT from local decisions about the award of procurement contracts for rolling stock. This does not imply that performance, standardization, and life-cycle costs are not important factors that grantees should consider in awarding procurement contracts for rolling stock. DOT does believe these are important factors. We do not believe, however, that the Federal Government should prescribe how these factors should be considered, as a condition of Federal assistance.

The Department will propose changes in our 1982 Appropriations Act to make it consistent with our proposed authorizing legislation. If the mandatory language is dropped from the 1982 Appropriations Act, the May 15, 1980 regulation would not be necessary.

TRANSIT MAINTENANCE

Senator Chiles: In your budget justification material (page 18), the statement was made that UMTA intends to stress the importance of proper maintenance practices by grantees and will evaluate opportunities for improvement in maintenance practices. As you know, there have been a number of GAO reports and other comments critical of UMTA's Section 5 capital program. Assumptions have been made that by providing ample funding for capital equipment, UMTA is discouraging the transit properties from expending the necessary maintenance funds. Specifically, what procedures does UMTA use to insure that a transit property is maintaining proper maintenance practices and is not postponing maintenance because of the availability of Federally funded capital?

Response: The underlying assumption in this question is that there is ample funding for capital equipment. This is not necessarily the case, as the

demand for capital assistance equals if not exceeds available resources. UMTA's informal policy of not replacing buses before they have reached 12 years of age is intended to ensure proper maintenance practices prior to replacement. UMTA wishes to ensure that federal funds available for mass transportation assistance are used prudently and with maximum effectiveness. UMTA will continue to evaluate various alternatives for providing assistance to transit operators in this important area. Additionally, the Department has submitted, as part of the legislative package to the Congress, an amendment to the Sections 3 and 5 programs which would require that recipients of capital grants have the technical and financial capabilities to maintain facilities and equipment that are purchased with Federal funds.

REPROGRAMMING WITHIN THE SECTION 3 DISCRETIONARY GRANT PROGRAM

Senator Chiles: For the first time in the FY 1980 appropriations report, Congress provided UMTA with some flexibility in administering the Section 3 discretionary grant program by permitting the "transfer of not to exceed $25 million either to or from any one category" without the need for Congressional approval of a reprogramming request." I noticed that UMTA (page 26) is requesting similar authority under the FY 1982 appropriation request. For the Committee's information - please provide the extent to which this reprogramming activity has been used in FY 1980 and 1981. Please detail the specific transfers of funds made under this authority in both of those two fiscal years.

Response: In FY 80, only two very small amounts were transferred between categories. The largest, amounting to $33,548, was moved from the Downtown People Mover (DPM) category to New Starts. The other transaction involved less than $100 (DPM to Rail Modernization). Based upon the decision to eliminate the DPM program, $12.5 million granted to Detroit may need to be reprogrammed in FY 81. For FY 82, we are not expecting any reprogramming actions at this time although minor adjustments may be necessary as we implement the Section 3 program.

BUS ACQUISITION

Senator Chiles: I understand that there are approximately 50,000 buses currently owned or operated by transit properties and that of this total approximately 13,500 are 15 years of age or older as of October 1, 1980. A replacement program that would achieve the objective of having the national fleet under 15 years of age with 7-1/2 average by 1990 would require approximately 3,580 buses to be replaced each year. Under the funding levels recommended by the Reagan Administration, what level of bus acquisition would be permitted in FY 1982? Does UMTA continue to have as a goal the attainment of a 7-1/2 year average age of the nation's fleet by 1990? If not, what is the current goal?

Response: The attainment of a 7-1/2 year average age for the nation's bus fleet by 1990 is still a target that we are attempting to accomplish. This, however, may be subject to change because UMTA is presently attempting to determine the feasibility and cost effectiveness of bus rehabilitation. Should the bus rehabilitation program prove to be a desireable alternative to complement the funding of new bus purchases, the 7-1/2 year average age goal may have to be adjusted. The Administration currently expects to purchase approximately 6,000 buses in FY 82.

Senator Chiles: I also notice in your budget justification material (page 27) that UMTA is working toward achieving a national goal of increasing transit capacity by 50% within the decade and that this will require additional expansion of the national bus fleet. It would be necessary to purchase approximately 6,000 buses under the Section 3 and 5 programs in order to contribute toward meeting these bus replacements and expansion goals. How many buses are associated with the 50% expansion goal on an annual basis? Does UMTA still have as a goal the increasing of the transit capacity by 50% within the decade? If not, what is the current goal?

Response: Approximately 2,400 buses annually are associated with the 50% expansion goal. This goal is one that UMTA will continue to work towards; however, it must be balanced with the overall national goal of economic recovery, allowing localities to determine their own needs, and strengthen and maintain existing transit resources.

Questions Submitted by Senator D'Amato

UMTA'S FUTURE UNDER CURRENT ADMINISTRATION

Senator D'Amato: What is your impression of where the current Administration would intend that we should be 5 years from now?

Response: We believe that the primary responsibility for the operation of mass transportation should rest with State and local governments. We have therefore recommended a gradual phase-out of Federal operating subsidies and consentration on capital expenditures which maintain existing transit systems. In addition it is our intention to redirect the Federal role by reducing intrusion in decisions that could better be made by individuals, businesses, and State and local governments. I believe that implementation of these policies will produce a strong public transportation program, reduced dependence on the Federal presence, and maximum local flexibility and initiative.

PROPOSED LEGISLATION

Senator D'Amato: What is your current schedule on the submission of a new mass transit authorization? Has OMB made any significant changes or recommendations that you can tell us about prior to submission of the new legislation?

Response: The mass transit legislation was transmitted to the Congress on the 17th of March. OMB approved of the document prior to its submittal.

TRANSIT EFFICIENCY

Senator D'Amato: Your statement on page four indicates that transit authorities must seek to make public transportation systems more efficient. Don't you think this would also be an area where the Federal Government could play a valuable role? In that regard, what do you see as being UMTA's mandate here?

Response: Yes, this is an area where the Federal Government could play a valuable role. UMTA's mandate should be to encourage and support State and local communities, and transit authorities' efforts to make public transportation more efficient. UMTA should implement this mandate in a way which reduces the entrusion of the Federal Government in local decision making. UMTA's role would include the following:

1. Placing greater responsibility for financing transit deficits at the non-Federal level, thereby providing added incentive for State and local governments and transit authorities to make operating and management decisions with improved efficiency in mind.

2. Eliminating Federal regulations that have been time consuming and costly to implement, and tend to run counter to efforts to improve transit efficiency.

3. Continuing Federal assistance in support of capital investments with emphasis on the maintenance and improvement of existing transit systems.

4. Continuing to conduct research and development to provide assistance in management and marketing techniques, creative service and fare policies and near-term technical improvements.

5. Encouraging more widespread adoption of public transportation innovations which have proven benefits in the area of improved transportation efficiency.

Senator D'Amato: In a further comment on page four you reflect a feeling that Federal assistance has encouraged artificially constrained fares during a time when the cost of automobile travel has increased: Could you please provide all information you have used as a basis for this conclusion.

Response: The percentage of total operating costs covered by fares and other operating revenues declined steadily from about 85 percent in 1970 to about 60 percent in 1974. Federal operating subsidies began in 1975, and farebox coverage of total operating costs

then stabilized at about 54% for 1975, 1976, and 1977. The figure went below 50% for the first time in 1979.

The table below compares the rate of increase in national average transit fare to the rate of inflation.

Year	(1) % Change in Average Fare	(2) Rate of Inflation	Ratio of (1) to (2)
1969-70	12.1	5.4	2.2
70-71	7.8	5.0	1.6
71-72	5.5	4.2	1.3
72-73	1.2	5.7	0.21
73-74	1.3	8.7	0.15
74-75	2.4	9.3	0.26
75-76	8.3	5.2	1.6
76-77	5.5	5.8	0.95
77-78	1.0	7.3	0.14
78-79	-0.3	8.5	-0.04
79-80	10.6	9.0	1.2

In the 6 years prior to Federal subsidies (1969-70 through 1974-75), the ratio of increase in fares to the inflation rate was 0.95, indicating that fares were keeping pace with inflation. In the 5 years since Federal operating subsidies began (1975-76 through 1979-80), the ratio is 0.31, indicating that fares have been increasing only about 30% as fast as inflation. Note that in 1978-79 there was an actual decrease in the national average fare. In 1979-80, however, average fares went up 10.6%, the highest rate of increase since 1969-70. This would indicate that the low fare policy pursued with Federal subsidies may no longer be possible even with subsidies.

The relatively low increases in average fares in 1972-73 and 1973-74 can be attributed to the substantial increase in State and local subsidies in those years. There is some evidence that State and local governments have chosen to provide tax revenues rather than to raise fares in order to cover increased costs. The table below shows that this effort has slacked off as Federal subsidies have become available.

Year	% Change in Federal Operating subsidies Per Vehicle Mile	% Change in State and Local Operating Subsidies Per Vehicle Mile	Rate of Inflation
1970-71	-	36.6	5.0
71-72	-	13.0	4.2
72-73	-	54.2	5.7
73-74	-	87.7	8.7
74.75	-	1.1	9.3
75-76	38.4	8.6	5.2
76-77	38.3	8.1	5.8
77-78	17.6	16.4	7.3
78-79	23.8	25.5	8.5

Thus, Federal operating subsidies per vehicle mile have increased at a rate from two to six times faster than inflation. However, even State and local subsidies are once again on the rise, reaching a rate of increase in subsidy per vehicle mile three times the rate of inflation in 1978-79.

A recent analysis of the National Mass Transportation Act of 1974 and its implementing regulations yielded four major program goals, of which one was stated as follows:

> Maintain low cost to users (especially transit dependents), in particular charging no more than one-half of peak hour fare to the elderly and handicapped during off-peak hours.

With such a program goal, relative fare stabilization in time of high inflation should not be surprising. The subsidies have increased the political popularity of flat fares, which disregard distance traveled and peak/off-peak travel times. Flat fares are now the rule in over 50% of all systems, which carry by far the bulk of U. S. transit passengers.

BUS AND RAIL

Senator D'Amato: How much would be applied approximately to the rehabilitation of older bus and rail car procurements?

Response: Under our Capital Assistance Programs in FY 81, $6.5 million is being provided for the rehabilitation of 112 buses and $255.4 million for new rail car procurements. For your information, in FY 80 we obligated $8.1 million for the rehabilitation of 195 buses and $75.8 million for new rail cars.

Senator D'Amato: What is the approximate number in 1981 and 1982 of bus and rail car purchases this legislation is designed to support?.

Responses: In FY 81 UMTA expects to be able to support the purchase of approximately 6000 buses. This number is based upon the National Program Plan which is subject to change depending upon actual project development. For FY 82, the funding levels for bus purchases will remain at approximately the same level as for FY 81. We expect to purchase approximately the same number of buses in FY 82 as in FY 81 except for that amount lost due to a decline in the purchasing power of the dollar.

RAIL SYSTEMS

Senator D'Amato: Is it correct that it is the Administration's intent to protect our current investment in existing rail systems rather than provide expansion and design for new systems? What do you see as the major federal role in protecting this investment?

Does any schedule exist for up-dating existing systems?

Why not?

Response: Yes, one of the prime objectives of this Administration is to maintain, rehabilitate, and modernize the existing rail systems. New starts and expansions of existing systems are to be postponed until the national economic picture improves. While presently no specific schedule exists for this program of improving existing systems, UMTA is presently

developing an assessment of the current conditions among the rail transit operators along with their needs for modernization and rehabilitation. The result of this effort is to provide an agenda of potential modernization and rehabilitation actions for each operator including problems of efficiency, reliability, aesthetics, safety, and cost from which we can better assess the program needs and possibly establish a schedule.

TRANSIT OPERATING ASSISTANCE, SECTION 5

Senator D'Amato: Please detail for us the Administration's plans and proposals for the Section 5 operating assistance program?

Response: The Administration believes that primary responsibility for the operation of mass transportation should rest with State and local governments. Capital assistance is a more appropriate Federal activity; capital grants can be administered with minimal Federal intrusion onto local management decision-making, while operating assistance leads to excessive Federal oversight. Accordingly, the Department is proposing a gradual phase-out of the operating assistance portions (Tiers I, II,III) of the Section 5 program. To help cushion any temporary difficulties which may be caused by the phase-out, there will be no decreases until FY 83. Tier IV, the bus capital assistance component, will continue at increased funding levels, reflecting our commitment to upgrading our Nation's bus fleets.

Proposed authorizations are:

($ in millions)

	FY '82	FY '83	FY '84	FY '85	FY '86
Tier I	850	480	110	0	0
Tier II	165	165	165	0	0
Tier III	90	90	90	0	0
Tier IV	375	400	450	500	550

Senator D'Amato: What would be the specific impact of your new legislation on the various tiers of Section 5 assistance?

Response: The legislation proposes a reduction and eventual elimination of Section 5 operating assistance (Tiers I, II, and III). To accomplish this, it is proposed that the total for this assistance be held constant from FY 81 to FY 82, then reduced by one-third in FY 83, two-thirds in FY 84, then "zeroed-out" in FY 85. Section 5 (Operating Assistance)

	FY 81	FY 82	FY 83	FY 84	FY 85
Tier I	$850M	$850M	$480M	$110M	0
Tier II	165M	165M	165M	165M	0
Tier III	90M	90M	90M	90M	0
Total	$1,105M	$1,106M	$735M	$365M	0

Senator D'Amato: How does your FY 1982 proposed level ($1,105 million) break down as between the four tiers?

Response: $1,105 million is the amount proposed for Tiers I, II, and III. It does not include funding for Tier IV bus capital projects. For FY 1982, the total breaks down to include: Tier I$850 million; Tier II- $165 million; and Tier III- $90 million for a total of $1,105 million in operating assistance. This is identical to FY 1981.

Tier IV - Bus Capital purposes is proposed at $375 million. This brings the total Secton 5 program to $1,480 million.

Senator D'Amato: What is your experience concerning the current impact of inflation on transit authorities? Has any consideration been given to inflationary factors in decisions to phase-out Section 5 funding?

Response: Between 1967 and 1977, operating expenses of the transit industry increased 148% nationally. This steep increase shows an even greater incline when looking at the latest available data. Between 1970 and 1979, transit operating expenses increased 194%. Unfortunately, operating revenues, up until very recently, were increasing about one-fourth as fast as operating expenses.

A recent UMTA study[1] has shown that between 1973 and 1979, 64% of the increase in operating costs is attributed to general inflation.

At the present time inflation is a major contributor toward fare increases and reductions in lightly used services.

The impact of inflation has been a major consideration in the decision to phase-out Section 5 funding as well as all other program funding reductions presently contemplated by this Administration.

Senator D'Amato: I am extremely concerned about operating assistance needs, now and in the future and would appreciate your working closely with this Committee in coming to grips with this extremely difficult problem, and appreciate your reports in that regard.

Response: We will work closely with you on the subject of operating assistance needs and will be happy to supply you with any relevant reports as they are compiled.

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[1]Operating Assistance for Transit - An Evaluation of the Section 5 program, DOT, UMTA, Office of Policy and Program Development, December 1979, p. 29.

SECTION 504

Senator D'Amato: As you are probably aware, I recently wrote a letter to Secretary Lewis concerning the omission of rail systems from the retrofit exemptions in Section 109 of your mass transit legislation. Do you have any current cost estimates concerning savings if these exemptions were included as part of the mass transit proposal? Are there other ways in which we can provide transit services for elderly and handicapped persons? Do you see this area as being one where UMTA may be significantly involved in the future? If so, what do you feel your role should be? If UMTA is not involved, how do you expect the needs of these citizens to be addressed?

Response: The proposed legislation allows local transit operators of both bus and rail systems the option of providing specialized transportation service to elderly and handicapped persons in lieu of making all fixed route transit service accessible. The study mandated by Congress to evaluate the cost of making rail transit accessible to handicapped persons described a range of costs from less than $1 billion to $4.2 billion over a 30 year period. In the environmental impact statement developed as part of the implementation of Section 504, it was estimated that the cost of making fixed route bus systems accessible to handicapped persons is $1.7 billion over a 30 year period. The Congressional Budget Office (CBO) report on "Urban Transportation for Handicapped Persons: Alternative Federal Approaches" estimated that it would cost $6.8 billion to make fixed route bus and rail systems accessible to severely disabled persons. CBO also estimated it would cost $4.4 billion to provide door-to-door services to severely disabled persons. Currently this is the only national estimate of the costs of specialized services.

We do have underway at this time a study to estimate the costs of specialized services. Data is being incorporated into the study from some 40 urbanized areas where these services are being operated. There are a number of different ways in which specialized services are being provided to elderly and handicapped persons. Many of these are being tested in our Service and Methods Demonstrations Program. We are testing such concepts as demand-responsive transit, transportation brokerage, coordination of social service agency transportation, user-side subsidy, and integration of paratransit services with fixed route transit service.

QUESTIONS SUBMITTED BY SENATOR MATHIAS

EXTENSION OF BALTIMORE SUBWAY

Senator Mathias: The Congress included $10 million in the FY 1981 Department of Transportation Appropriations Act for initial construction of the extension of the Baltimore subway to Owings Mills, subject to the issuance of a letter of intent. Have you had an opportunity to review this matter?

Response: Yes, we have considered this situation. While the Baltimore Northwest Extension is not without merit, the present state of the economy requires a moratorium on such rail construction projects at least until the economic situation and the condition of the Federal budget improve. At such time in the future that the economic situation permits consideration of extensions of rail systems, Baltimore's Northwest Extension will certainly receive due consideration.

Senator Mathias: The transit extension will be located for much of its length in the median of the Northwest Expressway. The Conference Report to the FY 1982 DOT Appropriations Act states that the Conferees recognize the potential economies if this extension is constructed concurrently with the highway. Since construction of the Northwest Expressway is scheduled to begin very soon, will you consider this fact in making your decision?

Response: This information along with other pertinent information is certainly part of the decision making process. However, while the concurrent construction of the extension and the expressway does have some potential economies, according to the Administration's policies, these do not outweigh the need to improve the condition of the national economic situation. The present economic situation and state of the Federal budget require the postponement of such projects as the Baltimore Northwest extension until the situation improves.

Senator Mathias: The major investment in the Baltimore subway has already been made in the 8-mile initial segment, but without the 6-mile extension, the transit line is not a meaningful operable facility. Since the extention, which will be built entirely on the surface, will cost only about $30 million per mile, is it not good business judgment to fund this kind of project in order to make a truly cost effective investment of public funds?

Response: We have considered the cost of constructing this six mile segment and recognize that this extension could be built for about 25% of the cost for the initial 8 miles. However, given present budgetary constraints and the Administration's policy guidelines, UMTA will fund, at least for the foreseeable future, only those fixed guideway projects now under construction and only to the point where they become complete operable transit segments.

BALTIMORE TOWN CENTER

Senator Mathias: Adjacent to the Owings Mills transit terminal will be a new high density Town Center, which will include commercial, residential, and retail development having a total value of more than $800 million, and employing 5,000 persons during construction and almost 8,000 people after completion. All of this is private capital. Is this not the kind of project which you would consider to be cost effective?

Response: This kind of private development project does indeed have its merits. However, given the present budgetary constraints and Administration policy guidelines on completing only those operational segments under construction, we do not believe that we will be able to participate in this project at this time.

SUBCOMMITTEE RECESS

Senator D'AMATO. Again, I want to thank you, and the subcommittee will be in recess subject to the call of the chairman.

[Thereupon, at 11:35 a.m., Thursday, March 19, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

MONDAY, MARCH 23, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews presiding.

Present: Senators Andrews and Abdnor.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF ROBERT W. BLANCHETTE, ADMINISTRATOR

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

STATEMENT OF ALAN S. BOYD

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

Today we are going to hear the Administrator of the Federal Railroad Administration and the President of Amtrak on matters dear to their hearts as well as to the country. We are pleased to have with us both Mr. Robert Blanchette and Mr. Alan Boyd.

Many of the topics that we will be discussing today will apply to you. We have you all at the table at the same time to respond to questions. We have today two statements from Mr. Blanchette, one statement from Mr. Boyd. I say that not making Mr. Blanchette look overly verbose but of course he has the responsibility as Administrator of the Federal Railroad Administration to speak to that. He also has a statement on Amtrak. Of course Mr. Boyd's statement is on Amtrak. We will put the total statements in the record as though read in full. Mr. Blanchette, we will be pleased to hear you summarize your general statement on Amtrak at this time. We will also include in the record your statement on FRA.

INTRODUCTION OF ASSOCIATES

Mr. BLANCHETTE. Good morning and thank you, Mr. Chairman. I would like to introduce my colleagues at the table, if I may.

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To my immediate right, Mr. Lou Thompson in charge of our passenger programs. At his right is Mr. John Broadley, Chief Counsel of the Federal Railroad Administration. To his right, Mr. Alden Johanson, our Budget Director. Our very eminent associate is at the end of the table, Mr. Walter Boehner, from the Office of the Secretary.

CHANGES IN THE ORGANIC LAW

To put this testimony in context, Mr. Chairman, we have recently introduced legislation in which we propose to change the organic law under which Amtrak operates. That legislation, coupled with the recommended appropriations, should be viewed in one piece because obviously without changes in the organic law to some degree, the appropriation level requested by the Federal Railroad Administration for Amtrak could not be implemented.

I wish to note that while I do have two prepared statements, if you look at them adjunct appose, we have proposed far greater cuts from the January budget for the FRA than we have proposed for Amtrak. We are willing in our own programs as well to make those sacrifices that need to be made in this environment of scarce resources.

It must be signaled, as we do in our testimony, that in essence the appropriations requests for Amtrak is not addressed at the Northeast corridor program. That has its own unique characteristic, as we note in our testimony and indeed the Northeast corridor improvement program stands quite aside from the remainder of Amtrak services.

We note, and we will be pleased to supplement the record with further facts and figures as they become relevant. Past trends cannot be continued in this current environment. We noted the mushrooming of deficits engineered by Amtrak spending operations so that the ticket for this year will approximate $1 billion contrary to the $600 million that is proposed by the administration.

Again, I shall not repeat my testimony except to make some references to the legislation that we have proposed in the organic law. That legislation basically says that Amtrak can move on several fronts. We shall be pleased to help Amtrak in its management where possible so that it can live within its constricted budget.

First, we believe that there are substantial improvements in labor and management productivity which Mr. Boyd has signaled on many occasions in the past and which we believe should be explored more fully than they have been in the past.

We think that is one area where management should move with help from the Government where possible, so that restrictions in the budget do not necesarily mean one on one restrictions in service.

Second, we believe that if routes are to be eliminated, they should be done on a business basis so that the less economic routes are eliminated prior to ones that have a better business performance.

We think that is the way that should be approached. We also recommend that Amtrak reduce its level of funding which it has already experienced in the past. We believe that a 50 percent coverage of revenues to fully allocated cost is a reasonable target for Amtrak.

I would note parenthetically that they reached those levels both in 1972 and 1974. At present they are at a 40 percent level of revenue to

cost and we think that can be increased. We believe other changes in the marketing and pricing can put Amtrak more nearly on a sound business basis.

While we talk about the cuts, we should also remember that the Federal taxpayer will be funding 50 percent of fully allocated cost of operating the Amtrak service under the administration's proposal. I shall be pleased to answer any questions of the Chairman or members of the subcommittee.

PREPARED STATEMENTS

Senator ANDREWS. Thank you, Mr. Blanchette, for a most interesting statement.

[The statements follow:]

STATEMENTS OF ROBERT W. BLANCHETTE

Mr. Chairman, and members of the Subcommittee, the Department of Transportation is pleased to testify on the budget changes for Amtrak being recommended by the President for fiscal years 1981 and 1982. You will note that the Administration plans substantial cutbacks in Federal funding for Amtrak. A few days ago, we submitted legislation which proposes changes in the substantive law pursuant to which Amtrak presently operates.

The purpose of this testimony is to outline why we believe the status quo is unacceptable; why we believe the January budget should be modified; and how we recommend the process of implementing these reductions should evolve.

Let me emphasize that the primary thrust of this testimony is not on the Northeast Corridor. The Corridor is a unique operation which serves a densely populated part of the country with a high intercity and commuter passenger travel demand. The problems of the Corridor are different from those which attend the remainder of the Amtrak system.

The need for a reassessment of Amtrak's role in our national transportation system derives from the fact that a continuation of past trends is unacceptable. Amtrak was originally conceived of as a private sector enterprise. Yet, between 1972 and 1980, its annual operating deficit ballooned from $210 million to $650 million, reflecting the fact that its costs rose by 260 percent while its revenues grew by only 170 percent. Amtrak's total subsidy for its ten years of operation has reached $5 billion, including both operating subsidies and capital grants and loans. This figure does not include the hundreds of millions which were spent in acquiring the Northeast Corridor nor the large sums which have been expended upon the improvement of that property.

Continuation of these trends would result in an expenditure of nearly $1 billion in fiscal year 1982, and could reach a total of almost $8 billion more by 1986. Unless this trend is reversed, Amtrak will require appropriations during the next five years of double the amounts received in its first ten years. This is unacceptable.

As with all sectors of the Federal budget, rail passenger service is competing for increasingly scarce resources. A service which provides less than one percent of the nation's intercity passenger travel simply cannot command such a large share of the Federal budget. Whatever the basis for past expenditures, it is now necessary to reorient Amtrak's fiscal and operational environment. A new approach is necessary to contain the deficit at a level which compares reasonably with the benefits we receive from our rail passenger system.

The budget process should, in the Department's judgment, reflect these considerations. To that end, the Administration submitted on March 10, 1981, a proposed reduction of $380 million from the January budget submission for fiscal year 1982. Proposed legislation has been submitted to amend the authorization for Amtrak.

The dialogue which will accompany the legislative process will refine our views further. Subject to that, we recognize the need for the Northeast Corridor and possibly other segments of the Amtrak system which have similar short-haul, high-density characteristics. The remainder of the Amtrak system, operating within its present context finds little in terms of economics, energy conservation, or other public benefits to justify its continuation.

The Department wishes to emphasize that this preliminary view is based on a status quo of Amtrak "operating within its present context." The discussion that we believe should ensue must test whether there can evolve a rationale for continued Amtrak operations. Particular attention should be paid to several points.

To begin with, the sole response to reductions in budget need not be the elimination of service. We believe that there are several fronts on which Amtrak can move, with appropriate encouragement and support from government when necessary. Improvements in labor and management productivity should be explored much more fully than they have been in the past. In addition, where it is clear that the available level of resources

requires a reduction in service, the selection of routes and trains for elimination should be made primarily upon business grounds. Using a business approach for any necessary route reductions would minimize the impacts on the traveling public because route reductions would affect the least patronized and most unprofitable services.

A major consideration which should receive attention is the fare system and other revenue measures. We believe Amtrak should implement pricing changes and take other actions which characterize a private business enterprise.

The Department intends to work closely with Amtrak in pursuing these avenues of reform and rationalization. The Federal Railroad Administration has already initiated discussions with Mr. Boyd and intends to pursue efforts to minimize areas of disagreement.

We are aware that the stakes are high. For that reason, we have made this issue one of our highest priorities. We look forward to working with the members of the Subcommittee and with its staff to find ways for implementing this budget in a constructive way.

I would be pleased to try to answer any questions you might have.

Mr. Chairman and members of the committee, I am pleased to appear before you today to present the Federal Railroad Administration's budget request for Fiscal Year 1982, excluding Amtrak which we addressed earlier.

Before I go into the details of my 1982 budget request, I'd like to address some areas of specific concern to me, to this Committee, to the railroad industry, and of course to our interested public.

The amount of tax dollars that the Federal Government has put into many of the FRA programs simply cannot continue. We have

looked at the benefits derived from the services we have provided, and in some instances, found them sorely lacking compared to other pressing needs within FRA, DOT and in fact the Nation. The budget that I am here to discuss represents an appropriate allocation of limited funds based on the Administation's priorities.

NORTHEAST FREIGHT

Although funding of Conrail does not lie with FRA, I am responsible for their oversight, and would like to say a few words about this important area. As I mentioned in House testimony last Thursday, I feel that the prospects for Conrail to become profitable or even self-supporting in its present form are doubtful at best. Freight service in the Northeast remains vital, but the structure must be redefined to end the excessive subsidies now being paid by the taxpayer. Overall our intent is to propose measures to improve the cost-effectiveness in freight service and to see that it is supported to a larger degree by the shippers and communities that benefit from the services provided. As you know, we will be sending our more detailed views on this issue to Congress by March 31.

SAFETY

Aside from resolving the major issues of Conrail and Amtrak, our highest priority, of course, will be to continue to ensure the safe operation of passenger and freight trains. FRA's primary long term mission is to protect the public, railroad employees, and the environment from the potential adverse impact of railroad operations. Our FY 1982 request requests sufficient funds and personnel to carry out this mission.

The safety record for 1980 represents an improvement over the previous year. Preliminary estimates indicate a 13.8 percent drop in accidents and a 16.6 percent decrease in casualties. Since these decreases exceed the 6.9 percent decline in train

miles, there is reason to believe that safety efforts by the railroads and by FRA are paying off.

Much attention has been focused in recent years to the flow of hazardous materials through our cities and towns, creating fears of a catostrophic event. I have directed the Office of Safety to make the inspection of railroads which carry hazardous materials their first priority. Those found in violation must be made to suffer the consequences. I will do whatever is necessary to drive this point across, seeking legislation if necessary to make penalties more exacting. Progress has been made to improve the safe transport of hazardous materials. The retrofit of "112/114" tank cars is now complete, thereby reducing the risk of releasing many of the most dangerous commodities. Notices have also been proposed to extend these requirements to additional tank cars.

The balance of FRA's regulatory review will aim to clarify and modernize FRA's existing safety regulations. Where the cost-effectiveness of the existing regulations is questionable, the regulations are being reviewed to determine whether less costly means of achieving comparable levels of safety can be found.

FRA has thoroughly reviewed the management of its safety activities. Significant changes have been made to improve inspection effectiveness. Federal and state inspection efforts are more closely coordinated than in the past. Each Regional Director of Safety, with the cooperation of the participating states, is now responsible for developing a regional inspection plan which is incorporated into a national plan. This ensures tighter management and a consistent national direction. The cost-effectiveness of inspector activities has been improved by providing the inspectors with

information detailing accident rates by accident cause for each railroad division. Federal and state inspectors have also been provided with route specific information on the amount of hazardous materials being carried.

While I have outlined the basic direction I think FRA should go in its Safety Program, I know that the Congress is looking forward to a more detailed discussion of this subject in FRA's System Safety Plan. Unfortunately, the deadline for submission of this report occurred only nine days after the new Administration arrived, and several weeks before I was confirmed. I assure you, however, that I will expedite the review of this document by the new Administration, so that you will have it available as you deal with FY 1982 authorizations and appropriations for Railroad Safety.

FEDERAL ASSISTANCE

During Fiscal Year 1980, FRA continued to provide assistance to the freight railroads for track, facilities, and equipment under Title V of the 4R Act. This involved rehabilitation and track upgrading on several marginal or bankrupt railroads including the Chicago and North Western, Illinois Central Gulf, Milwaukee, and Boston and Maine. In addition, funding of the Southern Pacific's Tucumcari line project was approved in order to bring the former Rock Island line up to transcontinental operating standards. A total of 2900 miles of the Nation's mainline system have been rehabilitated, and projects to repair 11,163 freight cars and 148 locomotives have been completed since inception of the Title V program. These figures reflect increases of 61 percent, 24 percent, and 11 percent, respectively over Fiscal Year 1979 levels.

In the past year we have made considerable efforts to encourage solvent railroads and state governments to participate in physical and corporate restructuring of the

Midwest bankrupt railroads. Much of FRA's restructuring effort has been devoted to reorganizing the bankrupt Milwaukee into a viable core railroad, and to facilitate the continuation of service on segments of the former Rock Island Railroad through acquisition by other interested carriers. Our efforts have resulted in railroads providing interim service, at no cost to the Government over 65 percent of the Rock Island's trackage and serving 85 percent of its traffic base. On the Milwaukee, nearly 90 percent of its former western lines traffic is served by interim operators or railroads which have acquired the properties.

The Administration plans to terminate the Local Rail Service Assistance (LRSA) program in FY 1981 and has withdrawn its earlier request for funds in Fiscal Year 1982. The major objectives of the program have been fulfilled.

NORTHEAST CORRIDOR IMPROVEMENT PROGRAM

In an effort to reduce Federal funding of programs which are not critical, especially when viewed in the context of the Nation's immediate economic crisis, the Northeast Corridor Improvement Project (NECIP) budget has been reduced. This decision recognized that some parts of the NECIP are less cost effective than others and should be deleted in keeping with the guidelines of the Passenger Railroad Rebuilding Act of 1980. In effect, the budget has been cut by removing from the project certain features which benefit primarily high speed operations and which are located in areas where traffic is not as dense as others. At the same time, we have retained those parts of the program which are of most direct benefit to commuter and intercity and commuter users. As a result, we will achieve slightly less reduction in trip times, but we will still have safe, reliable service.

Improvement work will be refocussed toward the most heavily traveled segments of the corridor, electrification will be

eliminated east of New Haven, the existing signaling system will be repaired rather than replaced, and the scope of the bridge and station rehabilitation effort will be reduced in accordance with the new orientation for NEC rail passenger service. The savings from these changes in program scope will amount to $310 million over the next four years, and requests for further funding for high speed service will be averted.

FY 1982 BUDGET REQUEST

At this point I would like to present a brief synopsis of our FY 1982 budget request for each appropriation. Excluding Amtrak, these total $427,521,000, representing a reduction of $414,239,000 from the Carter budget request. Our request for permanent positions has decreased by 106 from the original request of 1,575 to 1,469.

OFFICE OF THE ADMINISTRATOR

In FY 1982 we are requesting $8,548,000 and 166 permanent positions. This represents a decrease of $312,000 and 13 positions from our original request. This 4% decrease in dollars and 7% decrease in permanent positions is not sufficient to impair the overall functions of the two programs which provide Executive Direction and Administrative support to the whole of FRA. The $210,000 increase over the amended FY 1981 budget is primarily for increased costs for rent, communications and services provided by other Federal agencies.

RAILROAD SAFETY

For FY 1982 our revised request totals $26,904,000 and 421 permanent positions, a decrease of $746,000 and 41 permanent positions from the Carter budget. Again, I do not consider this to have a serious impact on our ability to fulfill all the areas of safety.

The enforcement of safety laws and regulations will be accomplished by approximately 135 state and 331 Federal inspectors. Assistance to this force will be provided by three full size geometry cars and two hi-railers (ATIP vehicles), which cover approximately 78,000 miles of track annually.

In 1982 the Federal Enforcement program calls for $16,704,000 and 356 permanent positions. As mentioned earlier, my first priority in deploying FRA's enforcement personnel will be to focus on hazardous materials.

The ATIP vehicles are funded at the originally requested level of $6,000,000, reflecting an increase of $400,000 over FY 1981. The increase is a result of 2,000 additional miles to be inspected and higher crew, operations and maintenance costs. In 1982 we will have in operation a self-propelled vehicle, thus lessening our dependence on the railroads for hauling services.

The Grants-In-Aid program does not require new budget authority this year, as it will be funded from projected FY 1981 carryover funds of about $2.8 million.

In the Safety Regulation and Program Administration program, our request of $4,200,000 and 65 permanent positions will ensure the continuation of data information gathering and dissemination, review and revision of safety regulations, development of improved standards and procedures, and overall administration of the safety program.

RAILROAD RESEARCH AND DEVELOPMENT

This appropriation has been reduced from the Carter request of $59,100,000 to $50,000,000 which is the same as the FY 1981 appropriation level. A similar reduction from 167 to 156 permanent positions is recommended. Of the $9.1 million

reduction, $3,315,000 was derived from the Track, Equipment and Personnel Safety program by returning this item to the amended level; $18,000 from Railroad Operational Improvements; $562,000 from Improved Passenger Systems; $3,581,000 from the Transportation Test Center including elimination of the proposal to electrify the Facility for Accelerated Service Testing (FAST) at a cost of $2.3 million; and $1,624,000 from the Policy Support program. Also included in the $9.1 million reduction is $324,000 for administrative expenses associated with the decrease in positions, travel and equipment purchases.

Our revised request for the Track, Equipment and Personnel Safety R&D Program in Fiscal Year 1982 is $25,950,000. This program will complement and support FRA's safety inspection and regulation efforts to reduce the number and severity of railroad accidents. Field testing will continue in order to validate analytically-developed candidate track standards prior to their conversion to formal FRA Track Standards. Fabrication and checkout of the Locomotive and Train Handling Evaluator will continue, along with the design of experiments on man-machine interaction, accident analysis, and training alternatives. Improved inspection techniques for rail flaws, track geometry, track strength, and component failures will be pursued. The Facility for Accelerated Service Testing (FAST) will continue to generate data needed to resolve industry questions on rail metallurgy, tie and fastener types, improved vehicle and track maintenance techniques, and rolling stock performance.

We are requesting $4,000,000 for research in Railroad Operational Improvements, which includes freight systems technology, labor and management practices, energy/environment and electrification. Program emphasis will continue to focus on providing more efficient systems for moving freight,

thereby contributing to overall productivity gains for the railroads.

The subprograms are currently aimed at: (1) improving rail-truck intermodal terminals, the highest cost element in intermodal service; (2) defining the electromagnetic compatibility requirements for signal and communication systems, especially as they might be impacted by future railroad electrification; (3) promoting technology exchange and utilization across the entire railroad community through publications and workshops; (4) minimizing railroad petroleum dependence with alternative fuels, and train handling techniques resulting in more fuel efficient train operations; (5) reducing the cost impact of electrification through lower cost catenary, signal system designs, and innovative locomotives; and (6) enhancing railroad operating efficiency and employee productivity through labor-mangement cooperation in selected locations.

Our request of $2,450,000 for Improved Passenger Systems will emphasize Train Technology Evaluation, Subsystem Development and Electric Traction, including evaluation of alternative means of applying tilt equipment to Amfleet cars, further testing of both AEM-7 modifications and a chopper propulsion system for electric locomotives. An evaluation will be made of radial axle (i.e., self-steering trucks) for Amfleet cars, and of the next generation of rolling stock for the Northeast Corridor (NEC).

Our request for the Transportation Test Center of $9,300,000 includes: $6,188,000 for Operations and Maintenance, $190,000 for miscellaneous alterations and repairs at the Test Center; $500,000 for necessary equipment spares, replacements, and laboratory equipment; and $2,422,000 for salaries and expenses of Test Center and Federal Highway Administration (allocation) employees.

The Transportation Test Center is a research facility for the testing, evaluation and development of railroad and transit systems, including rolling stock, track, control systems, and power supply. The Test Center is available for use by DOT elements, other Government agencies, railroads, transit authorities, suppliers, and research organizations.

Data developed at the Center is used by the railroads and transit authorities to upgrade the safety and dependability of facilities and equipment, and by suppliers to redesign and improve components shown to be deficient.

The major test efforts supported at the Test Center this year include the FAST accelerated test program, Amtrak's new AEM-7 electric locomotive and demonstration tests at the Rail Dynamics Laboratory. Transit tests were conducted on the Boston (MBTA) Orange Line and Atlanta (MARTA) cars, and planning began for tests of the Miami-Baltimore cars and for the second order of Washington (WMATA) cars.

The FY 1982 budget request for Policy Support is $8,300,000, $1,624,000 less than the Carter budget request and $534,000 below the FY 1981 appropriation level. We will deploy available funds with emphasis on economic, financial, restructuring, regulatory and policy initiatives, and increasing efforts in disseminating results of proven operational improvements in the freight industry.

RAIL SERVICE ASSISTANCE

For FY 1982, we are requesting a total of $135,069,000 and 106 permanent positions, a net decrease of $116,081,000 in budget authority and a net increase of 3 permanent positions from the Carter budget request. The reduction in dollars is in two primary areas: an $80 million decrease in the Local Rail Service Assistance program as a result of discontinuance

of that program; and a $40 million reduction in railroad restructuring assistance (redeemable preference shares). A partial offset is an increase of $4.5 million for assumption of the United States Railway Association's (USRA) non-litigation functions. The net increase in positions results from an increase of 25 permanent positions related to the USRA transfer, less 15 new positions previously requested under the Carter budget, and a loss of 7 positions due to the personnel freeze.

Elimination of the Local Rail Service Assistance (LRSA) program, as mentioned earlier, will not have a major impact on states and shippers. We expect that the rail Feeder Line Program of the Staggers Act will enable FRA to address the most beneficial projects on lower density lines more effectively. The elimination of the LRSA may cause an increased demand for Title V funding because of the Feeder Line provisions.

In FY 1982, $9,950,000 has been requested for the Office of the Secretary's Minority Business Resource Center and FRA Liaison staff. FRA will provide $9,460,000 in allocation and reimbursement funds to OST to support non-rail functions. $490 thousand will support four permanent positions to provide operation and monitoring of rail specific activities retained in FRA.

For administration of other Federal assistance programs, FRA is requesting $15,119,000 including $4,401,000 for salaries and related expenses of 106 positions. The remaining $10,718,000 is for continued contractual support, including Amtrak-related studies; USRA non-litigation functions under the proposed transfer of those functions to FRA; and rail freight assistance review and monitoring requirements.

The Section 505 Rail Restructuring Assistance Program (redeemable preference shares) expires at the end of FY 1982. To date, $555 million has been appropriated, a $50 million supplemental appropriation for FY 1981 has been requested; and $110 million is requested for FY 1982. Of the amounts appropriated, total obligations in the amount of $456 million have been made as of January 1981 and the work is either completed or underway. Of the $1.4 billion authorized for this program, $200 million is reserved for transfer to the United States Railway Association for use by Conrail in establishing a voluntary annuity program to reduce the size of its work force.

Of the $98.9 million in preference share funds currently available, $38 million is reserved for acquisition and rehabilitation of Rock Island lines by noncarrier entities in accordance with the Rock Island Railroad Transition and Employee Assistance Act (RITEA). Acquisition of former Milwaukee lines by noncarrier entities and directed service on the two railroads were made available for funding by the RITEA and will likely require a portion of the remaining funds.

The requested FY 1982 appropriation will permit consideration of funding for: Phase II of the Midwest grain lines projects to bring the track structure up to minimum standards for 40 mph operations of unit grain trains; Phase II of the Southern Pacific's Tucumcari line project to bring that former Rock Island line up to a higher speed condition consistent with transcontinental operating requirements; rehabilitation of other Rock Island properties in Kansas, Iowa, Oklahoma, Arkansas, Louisiana and Texas; feeder line projects and rehabilitation of the most essential lines of the Delaware and Hudson and lines acquired by other railroads due to Conrail restructuring.

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NORTHEAST CORRIDOR IMPROVEMENT PROGRAM

In FY 1982 we are requesting an appropriation of $203,000,000 and 35 permanent positions. This represents a decrease of $288,000,000 and 3 permanent positions from the Carter budget request. The refocusing of the NECIP goal toward reliable and safe rail service rather than on the achievement of specific trip times, will result in a program reduction of $310 million over a four year period. As mentioned in my opening remarks, the reductions are concentrated in four major program elements only, namely, electrification, signaling, bridges and stations. Deferments from FY 1981 in track improvements, service facilities and fencing will be available in FY 1982 for a total program level of $325 million.

ALASKA RAILROAD

The request of $7,000,000 in FY 1982 is the same as originally submitted. The number of permanent positions has been decreased, however, from 626 to 585 as a result of the personnel freeze. In FY 1982 primary emphasis will be on maintaining and improving roadbed, track, and equipment. Secondary emphasis will be placed on improvements to buildings. The Administration is firmly behind the efforts to transfer the Railroad as proposed in the Carter budget. Enabling legislation has been drafted and is being reviewed in FRA.

Mr. Chairman, this completes my prepared statement. I will be happy to answer any questions the Committee may have.

BIOGRAPHICAL SKETCH OF

ROBERT W. BLANCHETTE

ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

Robert W. Blanchette was nominated to be Administrator of the United States Department of Transportation's Federal Railroad Administration on January 24, 1981. Prior to his nomination, he was a partner in a Washington law firm of

Alston, Miller and Gains where he concentrated his efforts on transportation, reorganization and regulatory matters.

Mr. Blanchette has been involved in the railroad industry over the past 15 years. From 1970 to 1978, he served in various positions with the Penn Central Transportation Company and following their bankruptcy, was appointed counsel by the reorganization judge. In 1969 and 1970, Mr. Blanchette served as executive director of America's Sound Transportation Review Organization, a railroad industry task force established to study the problems and needs of the nations railroads, and from 1963 to 1968, he served as general counsel to the New York, New Haven and Hartford Railroad where he directed the railroad's legal affairs. For two years, 1958 to 1960, he served as an officer in the United States Air Force.

A native of New Haven, Conn., Blanchette received his bachelor's degree from the University of Connecticut in 1953 and his law degree from Yale University in 1957. He attended the University of Grenoble in France in 1953-54 as a Woodrow Wilson Fellow and a Fulbright scholar.

BIOGRAPHICAL SKETCH OF
FEDERAL RAILROAD DEPUTY ADMINISTRATOR
ROBERT E. GALLAMORE

Robert E. Gallamore, a management economist, has been the Deputy Administrator for FRA since July 19, 1977. A native of Fairbury, Nebraska, he attended Wesleyan University in Middletown, Connecticut, where he received an A.B. in Government in 1963. He received his M.P.A. from Harvard University's Graduate School of Public Administration in 1965 and his Ph.D. in Policy Economy and Government in 1968.

In 1963 and 1964 and from 1966 to 1967, Mr. Gallamore was employed by the Bureau of the Budget. From 1968 to 1970, he worked as an economist with the Office of the Secretary, DOT.

As a charter member of the public interest lobby Common Cause, Mr. Gallamore was Director of Policy Development from 1970 to 1974, with a key role in issue selection, including preparation of research materials and position papers.

Mr. Gallamore served in several capacities with the U.S. Railway Association. From 1974 to 1976, he was successively Director of Economic and Environmental Studies, System Plan Coordinator, and Policy Planning Coordinator.

Mr. Gallamore was serving as Associate Administrator for Transportation Planning for the Department's Urban Mass Transportation Administration prior to his appointment as Deputy Federal Railroad Administrator. He received departmental special achievement awards in 1969 and 1977.

BIOGRAPHICAL SKETCH OF

JOHN H. BROADLEY

CHIEF COUNSEL, FEDERAL RAILROAD ADMINISTRATION

Prior to his appointment as the Federal Railroad Administration's Chief Counsel, in February 1981, Mr. Broadley served as a Senior Trial Attorney and Special Counsel for Rail Litigation in the Civil Division of the Department of Justice for four years. He received Departmental special achievement awards in June 1980 and again in September 1980.

From 1972 to 1975, Mr. Broadley was employed as a Trial Attorney in the Economic Litigation Section of the Civil Division, Department of Justice, where he specialized in litigations involving wage and price control, defense contract renegotiations, and electric power rate matters. He was employed with the Department of Agriculture, General Counsel's Office from 1970 to 1972 where he specialized in administrative enforcement proceedings under the Commodity Exchange Act.

A native of Huddersfield, England, Mr. Broadley attended the University of California, Berkley, California, where he received an J.D. in 1970. He received his B.S. from the Massachusetts Institute of Technology in 1967.

BIOGRAPHICAL SKETCH OF
JOSEPH W. WALSH
ASSOCIATE ADMINISTRATOR FOR SAFETY
FEDERAL RAILROAD ADMINISTRATION

Joseph W. Walsh, a former labor union official, became Associate Administrator for Safety of the Federal Railroad Administration on March 7, 1979.

A native of Pawtucket, RI, Mr. Walsh began his railroad career in 1942 as a mail handler. After completing military service, he returned to the New York, New Haven, & Hartford Railroad, where he served from 1946 to 1968, progressing from an assistant signalman-maintainer to signalman, signal maintainer, and foreman.

Having joined the Brotherhood of Railroad Signalmen in 1946, Mr. Walsh became the union's Grand Lodge representative in 1968, a position which he held for nearly six years. In August, 1973, he was elected vice-president of the union, the position which he occupied at the time of his appointment as an Associate Administrator.

BIOGRAPHICAL SUMMARY

OF

WILLIAM E. LOFTUS

FEDERAL RAILROAD ADMINISTRATION

Mr. Loftus joined the Federal Railroad Administration (FRA) shortly after its inception in 1967, as a Senior Policy Analyst for legislative and public affairs. Since that time he has held various positions within FRA. On January 13, 1980, Mr. Loftus was appointed Associate Administrator for Federal Assistance, after serving as Director, Office of National Freight Programs. As such, he is responsible for all Federal rail freight assistance programs authorized under the Railroad Revitalization and Regulatory Reform Act and Emergency Rail Services Act.

During Mr. Loftus' employment with the FRA, he has been instrumental in developing a higher level of priority for railroad/highway grade crossing safety, preservation of intercity rail passenger service through the establishment of the Rail Passenger Service Act and the Amtrak system and the restructuring of the rail system in the Northeast and Midwest. He was also one of the authors of the Railroad Safety Act of 1970.

In 1973, he was presented the Secretary's Meritorious Achievement Award for his work in meeting the Northeast rail crisis. He was involved in developing the Northeast Corridor Improvement Project and the Federal Assistance Program for both Railroads and States.

Mr. Loftus was born and reared in Cleveland, Ohio. He received an A.B. in Journalism from Kent State University. He is also a graduate of the Federal Executive Institute in Charlottesville, Virginia.

For the ten years prior to joining FRA, Mr. Loftus served as Public Relations Representative to the Brotherhood of Locomotive Firemen and Enginemen. Between 1951 and 1957, except for a two-year period with the Army Counter Intelligence Corps, he was a newsman with United Press International, the Warren Tribune Chronicle, and Radio Station WHHH in Warren, Ohio.

Mr. Loftus, his wife, and six children reside in College Park, Maryland.

Biographical Sketch of
Steven R. Ditmeyer
Associate Administrator for Research and Development
Federal Railroad Administration

Mr. Steven R. Ditmeyer, a transportation economist from Missouri, has been FRA's Associate Administrator for Research and Development since October 1980. Prior to that appointment he served as Associate Administrator for Policy and Program Development. A 35-year-old native of St. Louis, Missouri, he received a B.S. in Industrial Management in 1963 from the Massachusetts Institute of Technology and an M.A. in Economics from Yale University in 1965. He was a Strathcona Fellow in Transportation at Yale.

Mr. Ditmeyer has held various railroad positions including jobs with the New York Central, Erie Lackawanna, and Missouri Pacific Railroads. From 1966 to 1968, he served as a transport systems analyst in the Organization of the Joint Chiefs of Staff as a Captain in the U.S. Army.

For six years, from 1968 to 1974, Mr. Ditmeyer served as an economist and industrial engineer for the FRA. He was involved in preparation of the Northeast Corridor railroad studies, served as a member of a task group which developed the original concept of Amtrak, and helped prepare the report on the restructuring of the Northeast and Midwest railroads.

During the three years immediately preceeding his appointment as an FRA Associate Administrator, Mr. Ditmeyer worked at the World Bank, where he was responsible for supervision and appraisal of railway and port projects in various foreign countries.

BIOGRAPHICAL SKETCH OF
LOUIS S. THOMPSON
DIRECTOR, NORTHEAST CORRIDOR IMPROVEMENT PROGRAM
FEDERAL RAILROAD ADMINISTRATION

Louis S. Thompson, an experienced transportation budget and policy planning analyst, became Associate Administrator for Intercity Programs on February 8, 1981. Prior to that appointment, he served as Director of the Northeast Corridor Improvement Program.

Mr. Thompson received his B.S. in engineering from the Massachusetts Institute of Technology and his M.B.A. from Harvard University. He then worked for three years as a project engineer and manager for the Badger Company, Incorporated in Cambridge, MA, the Hague, the Netherlands, and Belgium.

A native of Bartow, Florida, Mr. Thompson previously worked for the Department of Transportation from 1968 to 1973 as a planning analyst, in the policy and budget offices. During the five years immediately preceding his appointment as Director, he worked as a senior analyst with the Washington consulting firm of Richard A. Barber Associates, Inc.

BIOGRAPHICAL SKETCH OF

ALDEN C. JOHANSON

ACTING DIRECTOR OF PLANNING AND BUDGET DEVELOPMENT

Alden C. Johanson was named Acting Director of Planning and Budget Development for the United States Department of Transportation's Federal Railroad Administration in July 1980. Prior to this designation, Mr. Johanson served as Chief of the Program Review Division, Office of the Director, Planning and Budget Development.

In 1968, Mr. Johanson joined the Chrysler Corporation as an investment analyst and in 1969 entered the United States Army where he served in the Office of the Comptroller in the Pentagon. From 1971 until 1976 he worked at the Office of Management and Budget; much of this time being the FRA Budget Examiner.

Mr. Johanson attended public schools in Greenwich, Connecticut. In 1966 he graduated from the University of Michigan with a Bachelors Degree in Mechanical Engineering. An MBA (Finance) was received from Stanford University in 1968 and in 1978-1979

Mr. Johanson received his Masters Degree in Public Administration from Harvard University.

BIOGRAPHY

MILES S. WASHINGTON, JR.
FEDERAL RAILROAD ADMINISTRATION (FRA)
MINORITY BUSINESS ENTERPRISE (MBE) OFFICER

A retired Air Force Colonel with a distinguished background in equal opportunity programs, Miles S. Washington, Jr. is the Federal Railroad Administration Minority Business Enterprise Officer.

He came to the present position from the Minority Business Resource Center (MBRC) where he performed as Chief of Compliance, Evaluation and Monitoring. Mr. Washington also served as Acting Director of the Office of Equal Opportunity for the Department of Agriculture under then Secretary of Agriculture Earl L. Butz. In that capacity, he directed a program to encourage food companies to develop business opportunities for minorities.

Mr. Washington served in the Air Force from 1943 to 1973.

In his work with the MBRC, Mr. Washington has created business development policies for minority entrepreneurs. He has worked closely with minority business men and women and the railroad industry to establish marketing patterns, forecast areas of supply and demand, determine contract values and production and distribution costs to aid minority firms in developing business opportunities.

A native of Philadelphia, Pennsylvania, Mr. Washington is a graduate of Lincoln University, Chester County, Pennsylvania and received an MBA from George Washington University.

He was also graduated from the USAF Officer Candidate School in 1950 and the USAF Air War College in 1970.

BIOGRAPHICAL SKETCH OF

RONALD H. REIMANN

DEPUTY ASSOCIATE ADMINISTRATOR FOR POLICY

Ronald H. Reimann is Deputy Associate Administrator for Policy, Federal Railroad Administration. He graduated in 1961 from the U.S. Naval Academy and served in the nuclear submarine force until 1970. In 1978, he won a Congressional Fellowship, and worked on the personal staff of Senator John A. Durkin of New Hampshire, and on the Transportation Subcommittee staff of Congressman Fred B. Rooney.

Mr. Reimann holds a Master of Public Administration from the J. F. Kennedy School of Government at Harvard University.

INTRODUCTION OF ASSOCIATES

Senator ANDREWS. I would like now to proceed to hear from Mr. Boyd and then we can ask questions of either or both of you because I think some of these questions will be somewhat overlapping.

Mr. Boyd, if you will introduce your associates and present your statement, it will be put in the record as though presented in full.

Mr. BOYD. Thank you, Mr. Chairman. I would like to introduce on my immediate left Mr. Don Brazier who is Vice President of Finance of Amtrak, and to his left Mr. Lawrence Gilson, Vice President of Government Affairs. We are very fond of Mr. Boehner but we don't claim him.

I was intrigued by the statement Mr. Blanchette made. His gracious offer to help Amtrak out reminded me of the old saying with which I am sure you are all familiar, "I would like to help you out. Which way did you come in?"

Senator ANDREWS. Speaking of that, Mr. Boyd, if some of our guests who are standing in the door there would be more comfortable sitting down, there are a half dozen seats over here on the far side. Please move over and settle in. You may continue Mr. Boyd.

Mr. BOYD. Thank you, sir. I have an unhappy sense, Mr. Chairman, that much of the bulk of the testimony I have heard in the past 2 weeks was sort of apologetic for the Government's suggesting there should be a national rail passenger service supported in part by the Federal Government.

I would like to take a stand and say, Mr. Chairman, that I am proud of Amtrak. Earlier this year we provided this committee with a copy of Amtrak's 1982 budget justification.

We have reviewed the possibilities and results of making some rather difficult actions and making some rather—I won't say wild but—extravagant assumptions. We are asking Congress to further reduce our fiscal year 1982 capital and operating appropriations by $117 million under the $970 million which we had proposed, a budget proposal of $853 million. That would permit a continuation of service to the public in the 44 States in which we currently run passenger trains.

The administration's proposed budget of $613 million would mean that 36 of these States would lose all Amtrak service on October 1 of this year. I would like to elaborate just a moment on that, Mr. Chairman.

When we first started this dog and pony show of the administration and Amtrak testifying together a couple weeks ago, there were numerous hurrumphs and clearings of throats when we said that $613 million would provide service only for the Northeast corridor.

Since that time the General Accounting Office has been over our figures and our methodology and our assumptions. Since that time the staff of the Federal Railroad Administration has spent, as I understand it, 2 full days with our people. And neither the FRA nor the General Accounting Office has taken any exception to any major approach or figure that we have defended. That is a very important comment, I believe.

Mr. Chairman, my purpose when I came to Amtrak was to defend credibility with the Congress and the public and we have not attempted

to operate on any other basis than total candor and honesty. We have not puffed any figures, to the best of our knowledge, and that means that we can serve the Northeast corridor.

The other important aspect of that is that the operation of Amtrak is not an adult education program or something of that nature which may or may not be supported by the Federal Government as you gentlemen in Congress and the administration see fit.

It is not the sort of thing that you can contract this year and expand next year like a food stamp program and play it like an accordion. Amtrak is an operation. If we are not able to keep operating, I do not want it to be on the basis that anybody thinks that if you all decide you made a mistake, that next year you can go back and recoup because it does not work that way. There are a couple of reasons for that.

One is that, as we see it now on the basis of the administration's budget, we would have to eliminate the bulk of our maintenance facilities. We would have to eliminate approximately 60 percent of the employees. We would have to try to get out of station leases and things of that nature.

We cannot put rolling stock in a plastic folder and stick it on a shelf and then pull it back out 6 months, 8 months, 1 year, 2 years later. Rolling stock deteriorates very rapidly if you don't use it.

Another aspect of this is that under the contract which Amtrak has with the railroads to operate our service throughout the country, the level of utilities is required to be maintained for 90 days after Amtrak satisfies its operation.

The level of utilities means in simple terms maintaining the track over which we operate at a quality which will permit passenger train operations at a reasonable speed. Once that 90 days is passed there is no further obligation on the part of the railroads to maintain the track in that condition and in their own enlightened self-interest they would not do so.

I would do exactly the same as the railroads if I were at one of the other railroads. I understand that one of the administration's proposals is to reduce that period to 30 days from the 90 days.

What I am saying is simply this, the time has come to make up your minds whether you want a national rail passenger system. Amtrak will be 10 years old the first of May. We have placed into service for the first time on all of our routes except one either new or rebuilt equipment. That one route will be reequipped by the end of this year.

We are operating in excess of 80 percent on time systemwide, the best experience in our history. We have a lower out-of-service ratio than we have had in our history. Our passenger complaints have been reduced in excess of 40 percent systemwide. We are in a position now to provide the kind of service which I understood the Government wanted when Amtrak began in 1971.

At the $613 million level Amtrak can provide 1.2 billion passenger-miles. At the $853 million level we can provide 5 billion passenger-miles. That increment between $613 and $853 represents more than three times the return on each dollar of Federal investment.

We have, as a result of funds approved by the Congress and approved by the Board of Directors, acquired this new equipment. We

have approximately $300 million invested in a fleet of 284 superliner cars, bilevel cars, whose height will not permit them to be utilized in the Northeast corridor.

The proposal of the administration, as I understand it, is that Amtrak should provide a revenue-to-cost ratio of 50 percent in 1982 on the basis of a $613 million appropriation which will have the effect of reducing us to the Northeast corridor. We do not know, nor do we know anywhere in history, where it is possible in a railroad operation to reduce your fixed charges at the same rate you reduce your variable charges. That leaves us with a projection that, instead of a 50 percent revenue-to-cost ratio, we will be at a 37 percent revenue-to-cost ratio next year as opposed to the midforties, which we expect to be by the end of this year.

I could go on and on, Mr. Chairman and members of the committee, but I think that pretty well states the issues.

The thing that I would say in closing is that Amtrak has followed the statutes. We have undertaken to comply with all of the requirements, we believe we are doing so, and in a satisfactory fashion.

I have some difficulty figuring how you operate a $1 billion business like a yo-yo, one year up, the next year down, and I think the issue is very clear-cut: That is, do you all want a national rail passenger system or don't you, and at what price. We will provide whatever service we can with the best of will with whatever funds are made available.

PREPARED STATEMENT

Senator ANDREWS. Your statement will be put in the record at this point in its entirety.

[The statement follows:]

STATEMENT OF ALAN S. BOYD

I am Alan S. Boyd, President of the National Railroad Passenger Corporation.

Although we are often perceived as another federal agency known as Amtrak, make no mistake about it -- we are a corporation. And as a corporation we are proposing a multi-year contract with the Federal government through enactment of a four-year authorization bill subject to oversight and annual review.

This contractual concept accurately reflects what the business relationship should be between Amtrak and the government.

As a corporation, we provide a service instead of a product. As with many other corporations, the Federal government is the main purchaser of these services.

In a very real sense, you -- as Members of Congress -- are our stockholders.

The materials submitted for the record today take the practical outline of an annual stockholders' report.

You will be able to judge where the corporation has been, where it is, and where it has the potential to go.

I'm confident that you will be proud of our performance record to date. It is that operational and financial performance on which we expect to build when Amtrak enters its second ten years this May. Our vision of the next decade is one of increasing financial self-sufficiency and viability, growing ridership, growing labor productivity, and aggressive pursuit of additional revenue sources and improved markets. Today I wish to put this business plan for the 1980's in the context of our performance since the last Amtrak authorization bill in 1979.

Amtrak's financial picture continued improving last year, resulting in the decrease of Federal payments required by Amtrak for 1982 to provide the national rail passenger service which Congress has directed us to provide.

Earlier this year we provided this Committee with a copy of Amtrak's 1982 Budget Justification. By taking some rather difficult actions, we believe there is a possibility to further reduce our Fiscal Year 1982 capital and operating appropriation by $117 million and still maintain a national route system contemplated in the Amtrak $970 million budget. All the reductions we had planned at the $970 million level would still be required as would be Congressional action to retire the debt and give us relief from certain state and local taxes. In addition, in order to live within a $853 million Fiscal Year 1982 appropriation ($117 million less than the $970 million in our budget justification submitted to you), several additional cost-cutting or revenue-generating actions would be required. The details of these actions are outlined for you in the attached documents.

I should point out that the $853 million request is not at variance with our earlier request. It simply assumes specific savings from legislation we have proposed to the Congress. A first step toward those savings can be taken if the Congress acts to grant us relief from Section 504(f) of the 3-R Act, which has thus far discouraged us from taking over train and engine crews in intercity service in the Northeast Corridor. We are now willing to take the risk of recommending the deletion of the $42 million from our Fiscal Year 1982 budget now with the proviso that if by next spring our diligent efforts to negotiate train and engine crew cost reductions have not produced a net savings in the projected amount, in Fiscal Year 1982, we could, with your support, seek a supplemental for the difference between the amount actually saved and $42 million.

At the $613 million level, Amtrak would provide 1.2 billion passenger miles. At the $853 million level, Amtrak would provide 5 billion passenger miles. This means that at the $613 million level each federal dollar would result in 1.9 passenger miles. At the $853 million level each federal dollar would result in 5.9 passenger miles, over three times the return on

each dollar of Federal investment. At the $613 million level, the system would be reduced to the Northeast Corridor alone, resulting in the loss of approximately 14,500 jobs for either Amtrak employees or those working for the railroads in jobs directly resulting from the existence of Amtrak service. At the $853 million level, Amtrak would be able to continue to provide a national passenger rail service, thereby preserving an irreplaceable national resource and protecting most of the jobs of our workforce.

During last year's hearing we discussed the fact that proposed FY 1981 funding levels were not adequate to operate for all of FY 1981 the route system prescribed by Public Law 96-73.

This problem resulted from inflation, law changes concerning apportionment of capital funds, and operation of commuter trains. Subsequent events have proven last year's estimate to be correct.

In December 1980 the Congress recognized this requirement and in Conference approved FY 1981 Supplemental funding of $72.5 milion. No funds, were, however, appropriated at that time.

The budget submitted by President Carter in January proposed supplemental appropriation of the $24.9 million approved last year by this Committee but deleted in Conference plus authority to use unneeded Labor Protection funds for operating purposes.

The authorization provides for use of unneeded Labor Protection funds for either operating expenses or capital but the appropriation language restricts their use to capital.

Approval of reprogramming would provide approximately $15.0 million of FY 1980 funds and up to $7.0 million of FY 1981 funds for a total of $22.0 million that could be applied to the supplemental requirement.

This would leave a residual FY 1981 problem of $50.5 million.

We have already made significant costs reductions to reduce the supplemental requirement by $18.0 million and to cover $24.0 million of unavoidable cost increases due to higher than expected

interest rates, a 45 percent increase in cost of employee health insurance and reduced reimbursement from Conrail for NEC freight/usage.

Unless the supplemental is approved, we are at an impasse since the law mandates much of the system until the end of the fiscal year and the requirements of the Route and Service Criteria preclude any effective relief therefrom in the short run.

Over the past twelve months, Amtrak's consumer complaints have dropped more than 40 percent. On routes where we have been able to introduce new equipment, passenger complaints have dropped as much as 81 percent.

By this fall, we will have replaced or renovated the entire long-distance U.S. passenger car fleet. Gone will be the 30-year-old, steam-heated relics we inherited ten years ago from the freight railroad industry.

Our new fleet features double-deck Superliners, sleek Turboliners, Amfleet cars, Northeast Corridor Metroliners, experimental tilt-body trains, and modernized Heritage Fleet long-distance trains.

Our locomotive fleet -- which averaged twenty-two years of age in 1972 -- now averages only six years of age. This represents a significant step forward in dependability, speed and fuel efficiency.

Because of these improvements, because of management improvements, and because you in Congress have played a pivotal role in improving our route structure, Amtrak is now in the right place at the right time.

We served 21.2 million passengers last year and we did it in a way that gave the rider and the government their money's worth. In 1978 each dollar of federal support resulted in 7.52 passenger miles. In 1981 we expect to provide 10.93 passenger miles per public dollar in constant dollars. This is a 45.3 percent increase in productivity over three years.

We are also serving our riders on time. Our on-time

performance -- a critical measure of service -- is now the equivalent of the largest airlines. We actually beat the airlines in on-time performance in the first half of fiscal year 1980 and we recorded our highest January on-time performance ever with a system-wide 81.8 percent.

Our fare increases reflect our determination to meet and exceed Congress' mandate of 50 percent revenue-to-cost ratio by 1985, while continuing to attract new passengers.

Since enactment of the 1979 Amtrak Reorganization Act, we have instituted three fare increases totalling 26 percent. In 1980 alone, in the face of a 16 percent cut in route miles, we kept ridership constant and increased our revenue 14.4 percent during the same year.

Given the rules of the game, a 50 percent revenue-to-cost ratio is an admirable goal. Unfortunately we are forced to meet this goal under very difficult circumstances. The basic problem is not the goal, but the rules by which the game is played.

The present rules are misleading and detrimental to a fair assessment of Amtrak's performance. Of our operating budget requested for next year, $150 million is necessitated by specific provisions of law which increase cost outside of our control, or because we have to pay directly for items that other public transportation providers do not.

Some $50 million in costs go each year for operation and upkeep of Amtrak stations. Cities provide airports for the airline industry.

Some $26 million goes to pay railroad dispatchers, block operators and other such necessary personnel. The Federal government furnishes the air traffic control system for the airline industry.

If these imposed or uniquely borne costs were removed from our budget, Amtrak would have a 60% revenue-to-cost ratio at this very moment.

Even if the new Administration's proposed increases in user fees is adopted, the airlines and others would merely be

acting as tax collectors for the government, neither current user fees nor the added user payments for infrastructure ever appear in the profit and loss statements of other modes as they do in ours.

We are asking for relief from some of these costs.

To put it another way: if the airlines had to build airports and pay for air controllers, they would not make a profit unless they increased their fares enough to cover their new costs. They would then lose most of their business because people could not afford to fly. A classic Catch 22.

If the bus companies had to build and maintain private highways, had to pay a Federal fuel tax, and had to provide their own highway patrols, they too would be forced to run in the red, or increase their fares and run out of passengers. All of us in the transportation industry face a variety of problems. I'm simply pointing out some basic inequities, and accounting problems, that causes us great concern when the level of public support for Amtrak is compared to that of other transportation providers.

The bottom line is this: Amtrak is a growth company. We are improving our performance of covering our costs through revenues.

At the same time we are not complacent about the level of our costs, the size of revenues or about the state of the railroad industry as a whole. Far from it. Accordingly, we have undertaken three major programs to reduce our costs and further lessen our dependence on Federal payments. These are:

One -- The infusion of new blood into an anemic rail supply industry. We have taken the lead in bringing together the largest Japanese builder of rolling stock and a major American freight car manufacturer to form a venture to manufacture passenger rail cars in the United States. Thrall Car Company of Chicago and Kawasaki Heavy Industries of Japan have already signed an Agreement in Principle to do so if

certain specific conditions are met. With only one existing U.S. manufacturer to supply railroad passenger cars and subway cars, and in light of Buy America requirement this new venture can ensure a competitive domestic industry, create American jobs, and introduce the Japanese state-of-the-art railroad technology to the United States. Our efforts in this area meet a crucial national need and benefit the broader national interest.

Two -- The elimination of two of our three least cost effective trains -- the Cardinal and the Shenandoah -- and the restructuring of the third -- the Inter-American. These are the only trains that will fail in 1982 to meet the performance criteria established by Congress two years ago. By making these changes, by rescheduling our Northeast Corridor timetable to eliminate three marginal frequencies, and by holding to the principle that any Amtrak operated commuter trains must be fully financed outside the Amtrak budget, the National Railroad Passenger Corporation will save $42 million in fiscal year 1982 operating costs.

Three -- Because direct and indirect labor costs eat up 59 percent of Amtrak's budget, we are making a special effort at the round of labor negotiations now underway. Unfortunately, some of Amtrak's most onerous labor costs are for those train and engine crews with whom we do not even have a direct bargaining relationship. It is here where some of the most expensive and archaic work rules and bases of pay exist and where ultimately the greatest savings must occur. For example, engineers are paid a full day's pay for every 100 miles they work. This out-dated provision was established in the early days of steam, when a locomotive was stopped every 100 miles to take on water and coal or wood.

Today, an engineer operating an Amtrak train on the Northeast Corridor between New York City and Washington, receives more than 4-1/2 days' pay for a round trip consuming between 8-1/2 to 10-1/2 hours on duty.

When the Northeast Corridor Improvement Project is completed between the two cities, an engineer would receive 4-1/2 days' pay for less than 8 hours' on duty under present rules.

Amtrak is further handicapped by provisions in the National Railway Labor Act, and elsewhere, which result in the continuation of labor contracts even when no new agreement can be reached. Thus, unions have little incentive when negotiating under current contracts. Amtrak has proposed legislation to begin to remove these impediments to productive, even-handed labor negotiations, at least as they apply to the train and engine crews operating our trains in the Northeast Corridor.

This is a time of fiscal austerity. Labor organizations must contribute to the improved financial viability of Amtrak. We expect that rail employee organizations will bring a spirit of cooperation and understanding to the table. They must do this to protect the public interest and to preserve their own jobs.

The other side of saving money is making money. Therefore, we have begun several new programs designed to increase revenues.

The first such program is the diversification of Amtrak's revenue base through initiatives in partnership with the private sector. Real estate development is our most promising alternative revenue source. We are working in partnership with a major private developer to assemble a development package for Philadelphia's 30th Street Station and 30 acres of air rights

owned by Amtak north of the station. The mixed-used development could include a hotel, major office buildings, restaurants, shops and parking. Private investors are interested in both equity and debt financing on this project as well as a possible role as hotel manager. The City of Philadelphia is heavily involved as a partner in the overall project.

Such real estate development will enhance the environment of Amtrak stations and attract new customers. The Philadelphia undertaking is the first substantial example of what we expect to do elsewhere. All such initiatives will be accomplished without any additional direct Federal financial support.

We are also exploring commercial contracts for our heavy duty maintenance shop at Beech Grove, Indiana, and for training personnel for other corporations in our own training programs.

Second, we are seeking to attract a consortium of private investor-users for a new $30 million fiber-optics communications system which we need for our own Northeast Corridor operations. This system offers significant commercial applications, too. Amtrak brings to the table a nearly uninterrupted, immediately available right-of-way between Washington and Boston through New York -- a valuable commodity given the cost and time required to assemble such rights-of-way privately.

Third, we will introduce a new computerized reservation ticketing system this fall to help attract and keep new customers. I would remind our Congressional stockholders that just ten years ago there was not a single computerized reservation system in the entire U.S. rail industry.

Fourth, Amtrak will begin putting 150 new long-range passenger cars into revenue service this year many of which will be part of our Florida service. These are currently in production by the Budd Company. Our experience has shown that on routes where new equipment is introduced we experience a quick ridership surge of up to 30 percent.

Fifth, we project additional ridership revenue from expanded state-supported trains. Revenue from state-funded trains is up 35 percent over 1979. Amtrak has eight new state-supported services in operation and another nine states have applied.

Sixth, we will continue our aggressive fare policies without jeopardizing ridership growth. In 1980, we increased our fares 17 percent and our ridership stabilized despite a 16 percent reduction in route miles. Our revenue improved by 14.4 percent. Sizeable fare increases are scheduled in FY 1981 over FY 1980 and we expect a 21 percent growth in revenues.

The seventh, and final major program designed to increase our revenues offers great potential. This is the Emerging Corridor program, through which Amtrak can expand services between major cities in highly populated corridors.

By offering fast and convenient service between major population centers, 100 to 500 miles apart, we can begin to make really efficient use of the fixed system already in place.

The strength of a modern rail system -- be it freight or passenger -- is that it can handle growth and expansion far more cost effectively than can highways, waterways or airways. If anything, Amtrak's basic system is vastly under-utilized, especially considering the fixed capital costs we must incur to provide the basic service Congress has directed. Increased use of this system will produce exponentially higher revenue-to-cost ratios.

Some twenty such Emerging Corridors were recently analyzed by Amtrak management in conjunction with DOT. A full report will be presented to Congress within a few days. Amtrak's specific legislative proposal on Emerging Corridors will follow.

We have clearly reached a point in the corporation's development where we have a seasoned national rail transportation system in place which is delivering energy-efficient, fast, convenient service and is gaining increasing ridership support.

Every dollar invested in new equipment directly yields new revenue and generates increasingly attractive returns on the investment.

When combined with our proposed budget and our legislative initiatives, the prospects for the National Railroad Passenger Corporation are bright.

Earlier I mentioned the different types of Federal subsidies available to the various transportation modes that bind this vast nation together.

I believe that simple equity requires that Amtrak be evaluated on the same basis as all other transportation companies. We welcome the opportunity to compete on this basis.

I offer this promise of performance.

If Congress will exclude the costs from our budget which are already excluded from the costs of other transportation companies because they are paid for by the government, then we will assemble a budget covering the remaining true costs which the other modes also bear.

With this budget we would operate in 1982 with payments covering a much greater percentage of our operating costs. We are committed to improving that ratio in later years and to reducing the size of the Federal payment accordingly. Put into commercial terms, we are saying we will give the government more service for its dollar -- as our record of improved productivity shows we did in 1980 and are doing in 1981.

It would be the obligation of this corporation, subject to Congressional oversight and to audit, to manage its resources and set policies which would keep it within the limits of available revenue from all combined sources, including the Federal government.

We welcome such a working contract with the government, as long as our rate base is fairly considered and a reasonable predictability and certainty of Federal payments is assured. No private business would ask for less!

The declining percentage of government support would provide the strongest kind of incentive for financial and pragmatic tough-mindedness. In other words, such a budget would impose the discipline we believe is intended by the Reagan Administration budget proposals.

No corporation would like to reduce the need for Federal payments any more than the National Railroad Passenger Corporation (AMTRAK).

LEVEL OF UTILITY

Senator ANDREWS. I appreciate that summary of your statement, Mr. Boyd.

Mr. Blanchette, do you have any further remarks to direct specifically to Amtrak?

Mr. BLANCHETTE. No. I think the issues have been joined and have been for some 2 to 3 weeks. I would like to see the direction in which Mr. Boyd is going in terms of the concessions of a monetary nature that he was willing to propose today. We are not familiar with them but at least he is going in the right direction.

I also note that to the best of my knowledge, and I think I would know, the administration is not proposing a change in the level of utility to 30 days from 90, but, as I recall our legislation, it continues the level at 90 days and without a reduction.

I have no questions to propound to Mr. Boyd.

LOAD FACTORS

Senator ANDREWS. The President's proposed lower level of funds for Amtrak is based on the passage of authorizing legislation requiring trains to meet more stringent revenue to cost standards than are presently required. Under the present law the goal is to have passenger revenues cover 50 percent of Amtrak's operating cost by 1985.

Now, that is a rather elusive thing, operating cost. Could you provide for the record—I suppose it should be directed to Mr. Boyd—could you provide for the record the load factor that Amtrak experiences on each of its routes? We get a lot of garbage about "Use it or lose it." I would like to find out which of these trains is running at pretty respectable load factors and are still in trouble.

I also would like figures, if I could have them, on the cost, the subsidized cost over revenue per passenger-mile. You can take a look at a route that is 100 miles long and say that it is costing us $50 per passenger. Then you take a look at a route 400 miles long and it is costing us $75 per passenger. That is less per passenger-mile than the other.

I would like one set of figures for the load factor for each route and also the passenger cost for each.

FARE INCREASES

I understand the Administration proposed to increase Amtrak fares covering 50, 60, 70, and 80 percent of the operating cost in 1982–85. By how much would each fare have to be increased to achieve the new standards?

Mr. BLANCHETTE. Mr. Chairman, may I interject to say that that is not the Administration proposal. There was some talk early on in February that there would be an escalation of the coverage of fixed cost from 50, 60, 70, to 80 percent, but the legislation that has been sent up to the Congress does not contain that feature.

Senator ANDREWS. I guess you will have to clue in the Appropriation Committee what you are doing with the Legislative Committee.

Mr. BLANCHETTE. That is a point well taken.

Senator ANDREWS. Our facts are based on the earlier rumors.

Mr. BLANCHETTE. The operative legislation that was sent up last week merely takes the congressional mandate of 50 percent by 1985 and brings it back to fiscal year 1982. I regret that we did not advise this subcommittee of it. I will see that the legislation is produced for you forthwith.

Senator ANDREWS. You could give us now the figures on how much each fare would have to be increased to achieve the new standards?

Mr. BLANCHETTE. I could not, sir.

Senator ANDREWS. But you could for the record, with Mr. Boyd's help?

Mr. BLANCHETTE. Let me respectfully suggest that is a matter for the management to do. We are not in the ticketing or marketing business.

Senator ANDREWS. Mr. Boyd is. That is my point. You are together. You are the "Gold Dust Twins" together for this hearing. You might not like that marriage of convenience. The point is when you do not have the facts, I refer, or defer, whatever you want to call it, to Mr. Boyd and say then in turn, "Mr. Boyd, could you provide for the record how much each fare on each route would have to be increased to meet this now given request by the Administration?"

Mr. BOYD. Yes, sir.

Senator ANDREWS. And which routes would face elimination based on the new standards? Could you provide that for the record?

Mr. BOYD. Yes, sir, although I will tell you that we take issue with the standard which is proposed.

Senator ANDREWS. We might, too. As a matter of fact, I have been frustrated at the lack of imagination you have shown down either in the Amtrak shop or in the Federal Railroad Administration. I think you covered it in your statement early on: "I would like to help you out. Which way did you come in?"

U.S. MAIL CONTRACTS

I think we ought to look at how we got into this mess. I have been told by western railroads that they never removed a passenger train from service as long as it had a mail contract. Another branch of this Federal Government, semibranch, semiautonomous branch, the U.S. Postal Service, decreed they should take all the mail contracts off the

railroad passenger trains. When they did they lost a lot of revenue that formerly generated enough income so that they could justify keeping these trains on.

Has the Amtrak group made any approach to the U.S. Postal Service with the idea of getting these mail contracts back on the rails, and would that help?

Mr. BOYD. Mr. Chairman, I am glad you asked that question. Mr. Bolger and I have lunch together every 6 months and discuss our relationship. Mr. Bolger is head of the U.S. Postal Service. We are in daily contact with the U.S. Postal Service. We are currently generating revenues of $11.3 million for this fiscal year from mail. We are projecting $14.6 million in 1982, assuming we continue to run the national system. We are getting all of the mail that we can get from the Postal Service.

Senator ANDREWS. Are you getting all you can get from the Postal Service, or are you getting all you can handle from the Postal Service?

Mr. BOYD. We are getting all that we can get.

Senator ANDREWS. In other words, they are having you carry all of the mail that would be legitimately productive from their standpoint of deadlines carried by the trains?

Mr. BOYD. Yes. There is a problem that manifests itself in that the Postal Service will not give us any mail business except where we have a minimum daily frequency. We have one train running from Chicago to Seattle, the Empire Builder, which runs 3 days a week. The Postal Service will not give us any mail business on that. We have another train running from New Orleans——

Senator ANDREWS. When it was running on a daily basis did you get Postal Service?

Mr. BOYD. Yes, sir, absolutely.

Senator ANDREWS. How much revenue did the Postal Service generate as compared with the revenue you got from the passenger service?

Mr. BOYD. I will have to give you those figures but the revenues would run, I think, if my quick calculation and my poor mathematics is right, about 3 percent.

Senator ANDREWS. Of the passenger revenue?

Mr. BOYD. Yes, sir.

MAIL SERVICE

Senator ANDREWS. When you talk mail service are you talking about putting on mailbags at Chicago headed for the west coast, or a bag at Chicago headed for Devils Lake, bag put on at Devils Lake headed for Minot, and a bag put on at Minot destined for Wilston?

Mr. BOYD. My understanding is that we handle all the mail that they would give us along the route on a daily basis.

Senator ANDREWS. That they would give you. That is a great phrase——

Mr. BOYD. With most of the mail, we have encouraged the use of containers because it makes it much simpler for us to handle. The use of movable compartments also reduces the labor cost. There is no great profit in the mail. There is a profit on an incremental basis. For example, when I say all the mail they will give us, it is within the context of availability of baggage car capacity. We do not use baggage cars, for example, on our short-haul trains. We do not have enough baggage cars

to do so. The price we can obtain for hauling mail is not sufficient to warrant an investment in a new baggage car.

Senator ANDREWS. Right now in my State they are moving mail around the State in twin-engine airplanes that fly at night carrying nothing but mail. They fly from town A to town B. I can't help but think that is not only more expensive but I also know the mail gets there 1 or 2 days later. If you mail a letter from one place in North Dakota to another place in North Dakota, it takes 1 day more to get there than it used to when it would go on the train and on a mail car and be sorted by a clerk in that car, so that by the time it went from point A to point B it was sorted out and was ready to be dropped off.

Now when you are talking about mail service you aren't talking about the old railway postal car in which the clerk was working the mail and when it got there it was in shape to drop off?

Mr. BOYD. That was eliminated a good many years ago by the Post Office. If I am correct in my memory, the U.S. Railway Postal clerks were employees of the Post Office Department.

Senator ANDREWS. That is right.

Mr. BOYD. Not of the railroads.

Senator ANDREWS. But what you would have to do to get back in there is put the old postal car back on the Empire Builder that used to be there, or whatever else. You probably would have a volume of mail far greater than the prepackaged, container concept that you are now being given by the Postal Service.

Mr. BOYD. The fact remains, as a matter of policy, until we are operating a daily frequency, the Postal Service will not provide any mail.

Senator ANDREWS. If that is true, then it is a question of how much mail. If you could look into it and find out what volume of mail is going between some of these points by other methods and at what cost, I would be most interested in that.

I have reconfirmed my recollection of what the Western Railroad policy had been, and two men who used to be chief executive officers of Western Railroads stated it was a fact that in those decades they would never remove a passenger train as long as it had a mail contract. That was the old mail car with a railway postal clerk and the guy was sorting the letters so that you could get that 1 day service that we now don't get.

Mr. BOYD. We will give you the information we have, and I think we have quite a bit on routes over which we operate, as to the volume of mail and the method by which it is handled.

ENERGY EFFICIENCIES

Senator ANDREWS. The other thing that makes me wonder is that we are told that moving passengers on the surface is extremely more energy efficient than moving passengers through the air. Again we come to the interaction of Government agencies. This committee has jurisdiction through the Federal Aviation Administration over an airport known as National Airport. You are worrying about passengers on that Northeast corridor and worrying about revenue. It could be intriguing, you know, if we decided there would be no more slots of commuter planes because they are not energy efficient.

We have a big fight in Washington, D.C. about noise pollution because of increasing service out of National Airport, yet the request is for 40 additional slots for airplanes that want to fly between Washington and New York where you have told the Congress for years it is more time efficient and certainly much more energy efficient to travel by rail. Yet you can't do the job on the rail because you don't get the volume of passengers; 95 percent of them are going through the sky, and 5 percent on the surface.

Which comes first, the chicken or the egg? Would it help your operation in the Northeast corridor if we began to take a look at the Government agency, another causative factor, and in place of using that agency and that function to encourage and facilitate and make easier the travel of passengers by the most energy efficient method, we cut back on that to the point where passengers have a greater incentive to move on the surface? Would that help your operation?

Mr. BOYD. Mr. Chairman, I have engaged in a lonely crusade for a good many years to try to encourage the U.S. Government, both the legislative and executive branches, to take an overview of transportation policy in this country, to develop some goals and objectives or policies and consider some trade-offs. This is exactly what you are talking about and it is exactly what I have urged for years. Yet it is a nettle that no one seems to want to grasp.

Senator ANDREWS. In these times we are going to have to look at some of those nettles, find where they came from so that we can get out of this mess we are in.

Mr. BOYD. I agree. We have developed a whole series of programs which, when we line them all together, we say is the U.S. transportation policy. Most of these programs have been developed without any thought being given whatsoever to the impact on other modes of transportation. That policy has developed largely based on a belief that we had a Nation of infinite resources, particularly in the form of cheap energy. We have passed that stage now. I think at least in everybody's head we understand that even though if in our hearts we don't want to believe it.

Senator ANDREWS. In other words, if the Government would stop facilitating the increased passenger flow by air on short haul routes versus 200 or 250 miles or less, routes from here to Philadelphia or to New York, those passengers might go on rail and that would help your balance.

Mr. BOYD. There is no question about that.

Senator ANDREWS. So we could not only eliminate noise pollution that the citizens of Washington are complaining about, that Drew Lewis complains about in his apartment, with the noise of planes going up—we would like to accommodate the Secretary of Transportation—we could take care of the problems on the ground and additional slots they are requesting for National Airport by saying no way, because it is the policy of this Government we can save beaucoup dollars by letting those extra passengers and growth in that service move with Amtrak.

Mr. BOYD. Let me say I am not trying to shoot down any airplanes.

Senator ANDREWS. You are not going to shoot down any airplanes. It is just that we should stop facilitating the increase in those short-haul

routes where Amtrak, with Government funds, is providing an alternative service that ought to be used because it is energy efficient and in this case is even time efficient.

Mr. BOYD. The really important underlying implication of what you are saying, Mr. Chairman, is that all of these forms of transportation are being supported by the Federal Government. It is not just a case of Amtrak hanging out on the line by itself. Therefore, it is terribly important that the Government decide from an overview situation what is best for the Nation and what it is willing to support in the way of a transportation infrastructure.

Senator ANDREWS. The action that the Government takes in one area affects what happens in another area and can well impact on the Government cost in another area. I am not talking about cutting back service that has been there, I am just saying it is ridiculous to be compounding the noise, congestion and a whole host of other congestions by putting in transportation that negates what the Government is trying to do in another operation.

Mr. BOYD. You know, you were earlier talking about asking for information on subsidy per passenger. I think it might be instructive for this committee to ascertain the subsidy per passenger, for example, in private and corporate aviation by the U.S. Government.

That will give you some sort of basis for comparison. I would say, to elaborate a little further on that, that the profile of the railroad passenger in the United States differs of course by route but we are not hauling around the richest people in America and providing them with a tax deduction in the process.

Senator ANDREWS. No, but one of the reasons I wanted some of the information that I have asked for earlier that you are going to provide for the record is that I have been rather frank with my constituents over the years and I remember writing to people in Rugby, N. Dak., when they wanted a stop out there, and Amtrak provided the stop, the Empire Builder, I told them quite candidly it is on the basis of use it or lose it. Then they started wondering whether they wanted to maintain that stop, whether they wanted to maintain even that route.

I get letters back from Rugby, Minot, Williston, that people cannot get tickets on the train. One, they have to get their ticket 3 weeks to 1 month ahead of time. Many times when they try to get it that far ahead of time they are told it is totally booked.

On the basis of use it or lose it, those people who need to use it are in fact using it but the facility is just simply not there.

ROLLING STOCK

Mr. BOYD. Let me point out in that connection, Mr. Chairman, when Amtrak was created in 1971 it was able to acquire 2,200 pieces of rolling stock which were at best characterized as traveling junk.

Senator ANDREWS. We have been spoiled because what you inherited in our area was pretty good stuff.

Mr. BOYD. By and large it was.

Senator ANDREWS. Then you used it on all the other routes.

Mr. BOYD. But in 1981 we have 1,700 pieces of passenger equipment.

Senator ANDREWS. And you are beginning to get some new.

Mr. BOYD. We are beginning to get some new but when we get the new totally, when we get the delivery of the next and last order we have, by then retirement will have reduced our total fleet to 1,650 cars. So, I can understand why the folks in Minot and other places are having difficulty. But those are the facts of life.

Senator ANDREWS. The reason I bring that up in the hearing is not to talk about my constituent problems, it is to make the point that you haven't really tapped the supply of potential passengers you have out there beyond some of these routes that you say you are going to shut down now because you haven't had the equipment and you are in fact turning people away. Is that not the case?

Mr. BOYD. There is no question about that, and the fact that we are only operating 3 days a week is also a factor.

Senator ANDREWS. I rode a passenger train in the Peoples Republic of China with my wife a couple of years ago, a steam locomotive. The ballast on that roadbed was something that was very smooth. It was a most pleasant trip. If the Peoples Republic of China can maintain a good passenger service and if the European countries and Japanese and everybody else can, it would seem to me by using a little imagination in getting the various facets of the Government to work together instead of at cross purposes, we could not only justify it but make it economically feasible.

I have a series of other questions some of which I will get into, but my colleague from South Dakota, Senator Abdnor, is here.

Senator Abdnor, do you have any questions?

Senator ABDNOR. Are we talking about Conrail or Amtrak?

Senator ANDREWS. We are talking about Amtrak, mainly, and the Federal Railroad Administration.

Senator ABDNOR. I am sorry to say I was not here when the subcommittee opened because I did want to hear all of the statements.

I have had an opportunity, Mr. Chairman, to become acquainted with Mr. Blanchette. I am happy to say I could not have been more impressed by the gentleman's knowledge of the problems of the railroad. I know he comes from the East but I was amazed when I found out how much he seemed to be aware of the problems that we have in the Midwest. I surely appreciate that fact.

PREFERENCE SHARES

I guess I am asking this question for my own knowledge on the subject of preference shares, section 505. What is the difference between that and a loan. What is a preference share?

Mr. BLANCHETTE. The preference share concept was originated I believe in the Triple R Act, or perhaps later, in the Four R Act, but basically it was a form of equity security that didn't require the rigid payback and rigid security provisions of the straight loan.

Prior to the evolution of the concept of preference shares, Senator, the only way that you could help a marginal railroad was to give them a loan, a direct loan secured by a lien on all their assets, such as applied under the Emergency Rail Services Act of 1970, or a loan guarantee dating back to the Transportation Act of 1958.

There were a number of railroads, particularly in the Midwest, which had substantial mortgage encumbrances, thereby preventing additional loans and additional securities. Yet those railroads, while they were marginal, had an opportunity to pay back. That became the genesis of the section 505 preference application which permitted a quasi-debt, quasi-equity security to be given to these railroads under favorable terms with a liquidation preference that protected the Government but still did not require some of the rigidity of a debt structure.

I think the program has worked quite well in many respects and the program is viable.

Senator ANDREWS. Is it like a second mortgage?

Mr. BLANCHETTE. It is not like a second mortgage because the second mortgage is an encumbrance on the assets. The preference stock is just like a convertible preferred stock that you have on a regular corporation. It usually has a deferred maturity with a balloon at the end or a sinking fund so that the railroad has a chance to see whether its earnings can come back and it has a favorable pay-back provision, a favorable interest rate. It is not a debt security. It is in essence an equity security which gives the railroad some more financial flexibility in managing its debt to equity ratios.

Senator ABDNOR. Thank you. That takes care of one of my questions.

LOCAL RAIL SERVICE ASSISTANCE

You say that you recommend the local railroad service program terminate for fiscal year 1981. That is section 803, is it not?

Mr. BLANCHETTE. Section 803, yes.

Senator ABDNOR. In South Dakota some of our people heard a rumor that you are considering directing 803 money into the 505 program. I don't know where the rumors originate.

I find out some of those groups on their particular problems seem to know more about what is going on down here than we do, Mr. Chairman. I don't know how they stay abreast of it.

I note over here you say we are requesting $25 million in the fiscal year 1981 supplemental to fund a pilot program, $50 million in fiscal year 1982 for the first phase of the whole program. What is that going to be?

Mr. BLANCHETTE. You might be talking about Conrail's work force reduction program. I can assure you that any rumor that comes out of the FRA dealing with South Dakota you will hear directly from us.

We are not programing 803 to go into 505. In actuality, as you know, there is a 505 application pending in respect to a line of rail going out to Miles City. We have had considerable discussions with several of the States, including South Dakota. I plan to go out there in early April to look at the line and see what can be done by way of a section 505 program to keep that line in operation if it is at all possible.

Senator ABDNOR. Thank you. I appreciate that fact. Your wanting to go out and take a ride over our rails and look at our problems out there really shows a willingness to be openminded about this. You know, stories have started, I am glad to clear that up.

Thank you very much.

LEVEL OF SERVICE

Senator ANDREWS. Mr. Blanchette, the talk is around that if we fund $613 million that is all that is going to be necessary for the Northeast corridor and the rest of Amtrak service is going to be shuffled out. Is that correct? Can you get together and, using a little innovation, keep more, if not all of these routes with a $613 million figure?

Frankly, I think you ought to be aware that if this is cut to $613 million and we are told that all we are going to get is the Northeast corridor, I don't think you have votes enough in this Congress to pass $613 million for a hyphenated Amtrak. If it is not going to be a nationwide Amtrak I think the feeling in Congress is going to be we might as well kill the snake for all time. I think Mr. Boyd has made an excellent point, you can't take it down and bring it back up again, but can you do more than just the Northeast corridor with $613 million?

Mr. BLANCHETTE. I am still hopeful we can.

Senator ANDREWS. Can you keep essentially all the routes?

Mr. BLANCHETTE. I don't know. I think that is a function of management.

Senator ANDREWS. You always say you don't know. Nobody knows exactly.

Mr. BLANCHETTE. The point is that we have a management which is analogous to a board of directors and management. Here is the budget, here are the guidelines. The guidelines are that you cover your cost 50 percent, not route by route, but on a systemwide basis. You take your worst trains off before you take the better trains off.

Senator ANDREWS. They have been doing this for 2, 3, or 4 years, and they have not been providing service in the areas where the passengers are. Now they have a bunch of new cars—incidentally, how much did those new cars cost? You tell us the number but what is the total aggregate sum in dollar investment?

Mr. BOYD. 284 cars, Mr. Chairman. The approximate cost will be $300 million.

Senator ANDREWS. So you have 300 million dollars' worth of cars that can be scrapped before they are put in service because they can't fit in the Northeast service of bridges. Is that the case?

Mr. BLANCHETTE. I don't think that is right. I think they are loading the dice. When the directors tell management they have to live within their budget the typical response is to say we can't do it. The way we can do it is the one way that loses the greatest number of congressional votes. I can understand that initial reaction.

We have looked at some of these figures. I have not personally had an opportunity in the last week, having been preoccupied with Conrail matters, to sit down with Mr. Boyd. There is a very substantial so-called infrastructure which maybe we can look at and cut, I think management has to be cut. I think labor has to make some cuts.

It is always assumed that the minute there is a cut in the budget that everything else stays the same but a route comes off. Perhaps that might be the case in some instances. But we have to look at this thing, Mr. Chairman, in some context. We know that every time a railroad passenger steps on the train it costs the Federal Government about $35. We know that every time a bus passenger steps on it costs the Gov-

ernment about 2 cents. Every time an airline passenger gets on it costs about 77 cents.

We know that in the Northeast corridor the passenger-miles per gallon is something in excess of 75 passenger-miles per gallon. But the buses nationwide deliver passenger-miles per gallon of about 135. Amtrak's average in the system is about 55, much lower than that of buses. So when you take this whole context of things, energy, cost and subsidy, when you take a mix of labor and management, that has not really been looked at in terms of doing something about it.

Mr. Boyd has testified eloquently on such items as the dual basis of pay, eloquently on the ravaging effects of existing labor protection cost. We would be pleased to work with him to work with his management, and if we don't have the legislative package right, to redo it so that there could be a maximization of passenger trains in this country.

But again they have a management, we will give them the guidelines. If the guidelines aren't sufficient we can help them refine them and we think that service outside the corridor can be continued. We know that many of the Amtrak fleet trains that are operating outside of the corridor are susceptible of operation within the corridor.

As to those trains which I think I called the superliners, which are not susceptible of going through the clearances in the Northeast corridor, there is yet to be considered by the Congress certain corridor operations, high density short haul areas, where those trains may or may not be susceptible of use.

So, we don't think that this vast elephant graveyard that is being portrayed is going to materialize. Even if it does we have to look very hard and very fast at what it is costing us. This is a $1 billion a year ticket.

AREA VERSUS NATIONAL AMTRAK

Senator ANDREWS. The point is that neither this Congress nor this Nation wants an area Amtrak. They want a nationwide Amtrak or they are going to have to settle for no Amtrak at all.

If you take a look at cost per passenger-mile, and we have had these figures, Senator Chiles has pointed out in discussions that we have had, and it is an accurate statement, that if we eliminated all passenger trains that lose in excess of 6½ cents per passenger-mile we could save $145 million. Now you are looking at $853 million. We are getting awfully close to what the President is recognizing as a budget figure that he can take and justify.

I would rather pick up some more mail service, get rid of some of the inner city close couple traffic that we are deliberately moving to planes that could be back on the Amtrak system and find a way of keeping Amtrak a national system, and I think it can be done within the confines of solvency, but I think it takes a little bit of management. I think you have to take a look at what the costs are on some of these trains. Again is the intent of Mr. Boyd to cut back those trains on the basis of cost per passenger-mile if you have to make the cuts?

I applaud you for saying that you would rather not make the cuts. And of course which comes first, the chicken or the egg? Because a lot of these routes may have a high cost per passenger-mile because you simply have not had the equipment and you have been turning away passengers.

Mr. BOYD. That is a very important point, Mr. Chairman. There is no way we can spread our overhead without having passenger cars and locomotives and routes to move our people on. There is no question, based on the requests we have for seats, that there is a much greater market out there.

Senator ANDREWS. We will find out how much market there is when you give us the load factors on some of these lines. Then I think there is a legitimate assumption that had you had these additional coaches you could have added them to these trains which would have lowered your cost. You are not running those trains at all up to the capacity that I have seen coming through our area.

Mr. BOYD. It depends. One of the points that I wanted to make earlier is that we will provide you information on load factors. We want you to have the information on load factors. We want you to have the information on critical segment load factors. We have a somewhat different operation than the airlines where they operate origin to destination essentially, whereas we operate segment to segment.

So you can have a situation where you have a lot of empty seats on a train but it only applies to a particular segment of a route. We will try to explain all of that. The key point here is that they have been threshing around on these figures for 2 weeks. At $613 million the Northeast corridor is all that we can operate.

Senator ANDREWS. Are our figures in error that you can save $145 million by eliminating the trains that had losses in excess of 6½ cents per passenger-mile?

Mr. BOYD. I don't know whether those are in error or not.

Senator ANDREWS. Will you provide that for the record?

Mr. BOYD. Surely.

Senator ANDREWS. I think when we get this information from you for the record we will have some kind of idea of what can be gotten for a certain number of dollars. I would hope that you understand full well that the mood in the Congress is not to support some $600 million concept of a localized Amtrak. If it is not going to be a nationwide Amtrak system, which I think most Members of Congress by their votes over the past have indicated they want, I think the support for it is going to erode quite rapidly.

I would hope that you could hold to keeping these trains on that and develop these load factors.

LABOR CHANGES

Mr. BOYD. Mr. Chairman, let me say I hear Mr. Blanchette talking about the Government wanting to be supportive of our efforts to obtain some labor changes. One of the things that we have felt was essential to change in the existing act was section 504(f), and I understand that the administration is not supporting that amendment to the law. I have some difficulty with this.

We appreciate all the help that we are seeing from the FRA, and I think I use that word in the dictionary sense. We are certainly subject to all sorts of criticism because we are managing the business. We are seeking any sort of assistance we can get. The Department of Transportation is represented on the Board of Directors of Amtrak. If they feel that they have a better approach to management they ought to get

a better set of managers. That is perfectly all right with me. I have a little difficulty with very broad generalities about, you could do better, you could be more innovative, you could be more thoughtful, you could save more money.

I don't believe that is a very constructive approach in trying to deal with this issue.

Senator ANDREWS. No, but the point is that you have been in the market for additional equipment. You now have that additional equipment. I think it is incumbent upon those of us who have to make the ultimate decision to find out just how much relief from the deficiency that you had in these past years you are going to enjoy with this new equipment.

If that makes a difference that is something that we have to take into our deliberations.

Mr. BOYD. It does make a difference, Mr. Chairman, and we can show that.

Senator ANDREWS. Anything that you can provide that will show that for the record will give us a basis. After all, I can't speak for this subcommittee, but I have a feel for what the subcommittee is going to do. When we go to the floor of the Senate and later on when we are in conference with the House we have to have all the information that we possibly can have, factual information that we can base these projections on, because we have had more darn rumors and innuendos and pie-in-the-sky concepts in this railroad situation, not just Amtrak but other facets of it as well, and the information that you can provide us that we have asked for in the record will give us a basis on which we make our arguments when we go to the floor and to the conference.

Senator Abdnor?

LABOR AGREEMENTS

Senator ABDNOR. What is 504(f)?

Mr. BOYD. 504(f) is the legislation, the section in the National Railroad Passenger Act, which created Amtrak, which provided that Amtrak could contract directly with the bargaining units of the Train and Engine Employees on the Northeast corridor, provided that if an agreement were not reached within 60 days then the preexisting labor agreements between the Penn Central and the labor brotherhood would go into effect; and that was the same thing as asking Socrates to have a cup of hemlock tea.

Our hands have been effectively tied, Senator Abdnor, and we need to have that law revised.

In the $853 million proposal which we have made, we have assumed a $42 million savings as a result of changes in the labor contracts.

Senator ABDNOR. How would you like to see that?

Mr. BOYD. Sir?

Senator ABDNOR. How would you like to see that? What kind of act would you like to see?

Mr. BOYD. We would like to have 504(f) eliminated from the law and rescinded.

Senator ABDNOR. You mean you think you can negotiate a better labor contract?

Mr. BOYD. Yes, sir.

Senator ABDNOR. How much of a factor is that in maintaining Amtrak? Is that problem with labor a large contributing factor?

Mr. BOYD. The labor cost of Amtrak represents nearly 60 percent of our total expenses; it is the single major expense item in operating Amtrak. I should say that we have talked to several of the labor leaders and certainly have indications from them that they are aware that changes have to be made, and they are prepared to negotiate in good faith to do so. I fully expect to see that borne out.

But I should say, furthermore, that I would have difficulty trying to negotiate with National Railway Labor if all that we have to talk about is the Northeast corridor.

Senator ABDNOR. You mean just in that one area, the Northeast?

Mr. BOYD. Yes.

Senator ABDNOR. That is a problem throughout the whole system, is it not?

Mr. BOYD. That is correct.

Senator ABDNOR. They are willing to concede that there need to be some changes and adjustments?

Mr. BOYD. The individuals to whom I have talked have so indicated.

Senator ABDNOR. Do you have any idea what percent of the cost of overhead is labor in countries such as Japan and Germany?

Mr. BOYD. They are very high.

Senator ABDNOR. Higher than ours?

Mr. BOYD. Yes, sir. As the chairman was pointing out about the train ride he had in the People's Republic of China, they have so many people over there to try to provide work for—and this is true in many other countries, including some of the European countries, where employment in the railroads, the airways, wherever, is a matter of social policy as well as a matter of just agreement between the unions and the management—it is very difficult to make comparisons.

In the nation of Brazil, the U.S. railway industry did a study several years ago and my recollection is that the Brazilians employed about five employees per mile of track, which is an astronomical figure compared to what the Americans employ.

Senator ABDNOR. Are the lines in Japan heavily subsidized by the Government?

Mr. BOYD. Yes, sir, in excess of $4 billion a year. The Shinkansen, the high-speed bullet train, is a profitmaker. All of the other rail lines—and they have an enormous network of passenger lines—are heavily subsidized.

The same is true in England, Germany, France, Spain, Italy, and every other country.

Senator ABDNOR. Thank you.

FISCAL YEAR 1982 REQUEST

Senator ANDREWS. Let us get some definitive statements on these dollars. We can't find these out from the budget shop and I am sure Mr. Blanchette can provide this.

Does the proposed figure of $613 million for fiscal year 1982 include the $166 million advance appropriation provided by Congress last year to Amtrak for capital, or not?

Mr. BLANCHETTE. Yes, it does.

Senator ANDREWS. That makes it even more binding, doesn't it? So then you are really not asking for $613 million; you are asking for $450 million?

Mr. BLANCHETTE. $447 million.

Senator ANDREWS. It is hard to know what to appropriate when you don't know what the basis is. We have not been able to get it from OMB. I realize Mr. Stockman has other fish to fry, but here he finds $166 million that you lose, Mr. Boyd.

Mr. BOYD. I thank you, sir.

Senator ANDREWS. Which is illustrative of some of the problems we have been having in this committee during the last 2 weeks.

What you are talking about is $613 million minus $166 million?

Mr. BOYD. I think it is.

Senator ANDREWS. Our staff has not been able to get it. If it is $613 million minus $166 million, that would be $447 million. The information we have, of course, is that we gave an advance appropriation of $166 million last year. We didn't know whether that was included against this year's budget or whether the $613 million was in addition.

You now tell us the $613 million is including that, which means you subtract last year's advance appropriation to get to what you are getting this year?

Mr. BOYD. Mr. Chairman, I think I can answer that question.

Senator ANDREWS. Fine. I will be glad to get the answer.

Mr. BOYD. We have been advised by the administration that $613 million is the total amount the administration will make available for Amtrak, for whatever purpose, for fiscal year 1982. That includes capital, operating, labor protection, interest on debt, and every other item that may come up as an obligation of Amtrak. The total is $613 million.

Senator ANDREWS. That is a little different concept than we have been reading in the newspaper on the financial matters and the rest. They are talking about a $613 million appropriation for this year. It was assumed—and our clerks have been told—that it was in addition to.

Let me get back to some of these things I wanted to get in the record.

UNION STATION

Mr. Administrator, what is the estimated cost of restoring Union Station as a transportation facility, and what is your position on this; what do you anticipate FRA's role to be in regard to Union Station?

I am told we are supposed to spend $140 million, it will cost $140 million to get it back in shape. That is about what it cost to get Amtrak back in shape.

Mr. BLANCHETTE. We had as part of the Northeast corridor improvement project a figure of $23 million to restore the Washington Union Station.

Senator ANDREWS. You have already spent $140 million on it?

Mr. BLANCHETTE. We haven't.

Senator ANDREWS. The Park Service has?

Mr. BLANCHETTE. The Interior Department has decided to play Pontius Pilate with the Washington Union Terminal.

What we would like to do is sit with them and see whether or not we can salvage that operation, which has done nothing but cost money. I, myself, really wonder to what extent a National Visitors Center contributes to the solution of that. Maybe it ought to be restored to the use to which God intended it, namely, as a railroad station.

I, myself, would like to see, if this function is transferred to the Department of Transportation, if we can get some entrepreneur with some private enterprise people to come in and assist in some commercial development there, and I know that the Penn Station, the Grand Central Station and these other great passenger stations, seem to do all right with commercial development, including the area around them.

So, we are looking at that. It is not presently in the Amtrak budget in terms of restoration or rehabilitation or a capital program.

Senator ANDREWS. The $23 million that you anticipate it is going to cost to undo the mess that the Interior Department did to that station will come out of Amtrak's hide?

Mr. BLANCHETTE. No; that was a figure that was in the Northeast corridor improvement program; that was never to be included within Mr. Boyd's hide; it was taken out of the Northeast corridor improvement program because it was deemed to be not part of that corridor program, but something that ought to be done separately. It had a duality of responsibilities. That situation is evolving, but under no circumstances is that in Amtrak's budget in terms of the capital cost.

Senator ANDREWS. One thing the story brings out is the fact that we can save money in another subcommittee I am on, the Defense Subcommittee. There is no way we are ever going to build an ABM system around Washington because no enemy would want to destroy the confusion that goes on in this place.

CONRAIL

Mr. Blanchette, when the present Conrail system was established about 5 years ago, it was projected that it could become a self-sustaining private enterprise if it received $1.2 billion initial Federal investment. Now, this investment was subsequently increased by several billion dollars. Conrail is going to use up the last of that money this year.

What are the reasons you can give the subcommittee for Conrail not becoming a self-sustaining enterprise? Aren't they charging high enough freight rates?

Mr. BLANCHETTE. The reason they did not become a model enterprise is that the planners at USRA were not fired early enough.

Senator ANDREWS. Now, with this new team onboard we have no problem?

Mr. BLANCHETTE. Well, they are different planners, so we will look at them. It was launched with all the heraldry of the *Titanic* on its maiden voyage; it assumed facts not in the record and not reasonably in contemplation. As a result of the planning exercise, which was a rosy, optimistic, never-to-be-realized set of Disneyland fantasies, we now have a functional disaster on our hands.

We are hoping to work with Conrail, and USRA. We will have our own report. We will be testifying tomorrow morning before the Senate Commerce Committee.

But the reason that it is where it is, is that it could never be viable as constructed. It is not a question of the rates; it is a question of the whole melange of factors: One, it was pinned down on its flank by the horror of commutation and intercity passenger service. The other thing is that there has been a total erosion of the rail-served industry in the Northeast for which no adjustment was made, no real stab was ever made at labor problems, and the projections were made of a world that would never, and could never, possibly exist.

As you know, Mr. Chairman, we have recommended that the status quo not be funded. We are willing to look, and we will be coming to you shortly with recommendations, at how to extricate ourselves from this functional bankruptcy that is on our hands.

BRANCH-LINE ABANDONMENT

Senator ANDREWS. Has Conrail been allowed to divest itself of its branch lines, a lot of which are nonprofitable?

Mr. BLANCHETTE. Conrail has not moved at all on a branch-line abandonment program. Now we are being told that maybe that is not the problem at all, anyway, that the revenue-cost mix is probably improved by keeping those branch lines. We are looking at that.

It is a surprise to find out that the plant capacity is just about right in the Northeast where everyone I know is moving out to the countryside.

Senator ANDREWS. In the West, where they have what they term the most profitable railroads in this country—the Union Pacific, Burlington Northern and some of the others—this summer we are going to see some of the biggest wholesale branch-line abandonments that anybody could possibly imagine.

Now, if the private railroad sector is divesting itself of branch lines, why are the taxpayers subsidizing the continuation of what must be even more inefficient branch lines, really, that might eventually cause the total demise of Conrail?

TERMINATION OF LOCAL RAIL SERVICE PROGRAM

Mr. BLANCHETTE. Your point is well taken. That is one reason why we recommend that the local rail assistance program be terminated because it is an idea whose time has gone. We have found that in the Northeast these local communities were just hanging on to these branch lines, using the subsidies, instead of what has been done in the Midwest, in your area of the country, which is to use some of these moneys in more constructive ways. We think the local rail assistance program ought to be terminated and, of course, the railroads in your part of the country have one thing that God gave them, that is, the long haul.

Senator ANDREWS. That should work for Amtrak then, we should be having them continue that many more routes in that area.

Mr. BLANCHETTE. It seems with Amtrak the longer the haul the higher the bill for the Government. In the freight service it does not appear to work that way.

I agree with you, Mr. Chairman, we will look hard at what has been recommended in respect to branch-line abandonments in the Northeast.

AVAILABILITY OF GRANTS AND LOANS

Senator ANDREWS. What are you going to do about funding the grants and guaranteed loan funds that—it has been rumored—were going to be dropped out in the West? Are they going to continue in this new administration, or is that being sharply cut back?

Mr. BLANCHETTE. We have cuts proposed in fiscal 1982 for the 505 program, I believe, but there is ample money authorized and appropriated under our recommendations to accommodate those needs that we see.

Senator ANDREWS. What do you see as needs? This is, again, one of the things where you are moving Washington's inability to grasp any type of situation, without tearing it apart, out to the West where we are fairly practical people. As I understand, you had under advisement a grant and a guaranteed loan to run another line up into the Powder River basin to move coal, when through the northern tier of counties of my sister State of South Dakota the main line itself, or the Milwaukee, is being virtually abandoned, and if it is abandoned we are going to lose a 600-megawatt generating plant that depends on that line for its coal supply.

Why would some administrator in Washington look out to the West and think it is more important to, in effect, double track railroad service in one area when the only railroad service we have in another area needs those funds drastically? Where is the priority?

Mr. BLANCHETTE. That is a very good question.

Let me point out, first, those are not competing applications, so there is not an allocation of resources that says if one then not the other. There are ample funds for both.

Senator ANDREWS. We understood you were cutting back on those grant funds and loan guarantees and that there was not, in fact, going to be enough for both.

Mr. BLANCHETTE. There are ample funds for both kinds of programs.

Now, the Milwaukee people and the people of South Dakota and elsewhere are going to have to tell us. That is the reason I am going there. I agree with you. This Administrator is not going to set the priorities. I am going there on the ground to see what those people say in respect to what is available for the entire Milwaukee and what the priorities are in respect to this lignite coal movement in South Dakota and the prospects for an extension out to Montana and what the payback is.

In respect to it competing, it is not competing with that; those are discrete——

Senator ANDREWS. You mean, you have lots of money for that type of program?

MILWAUKEE RAILROAD

Mr. BLANCHETTE. I say we have money enough for the programs. We want to see what can be done to insure paybacks, to insure that local resources are utilized to maximum advantage and that the matter is done within private enterprise.

There is some more money to be given, for example. We want to know what the Milwaukee is willing to put up.

Senator ANDREWS. The Milwaukee is not willing to put up much of anything; they are in bankruptcy.

Mr. BLANCHETTE. They have sales of timberlands and they propose to distribute the proceeds of the sale of those timberlands to the mortgage bondholders while at the same time applying to the U.S. Government for loan relief.

We have just concluded negotiations with the Milwaukee that somewhat diminishes the original enthusiasm that they had to pay out the bondholders.

POWDER RIVER BASIN

With respect to the Powder River situation, I am loath to get into that in detail because, as you know, that is an application which has been contested.

Senator ANDREWS. That is true.

Mr. BLANCHETTE. We are now acting in that regard in a quasi-judicial capacity. Again, there I have met with both sides to that equation and have encouraged to the extent possible a reassessment of that matter, so that more private enterprise moneys are forthcoming.

Senator ANDREWS. There is a way to get that coal out of the Powder River basin. That is a fact. There is no way to move that coal across the northern tier of South Dakota or the southern tier of North Dakota, nor is there a way of getting that coal from Gascoyne to the generating plant if that particular line shuts down.

So, in the order of priorities, when we are talking in a national railroad sense that we are overbuilt, that we have too much duplication and everything else, it would look as though the Government ought to put its money where there is no alternative and have as its first priority that Milwaukee line that is so vital to energy generation in that area, energy, incidentally, coming from our own country instead of being purchased by us from the OPEC countries and doing so much damage to our overseas balance of payments.

Mr. BLANCHETTE. That is a point very well taken. We are looking at it very closely. I must say that the people in that area have gone a long way in talking about a consortium of States, and a consortium of interests, cooperation with the Milwaukee.

COMPETING FOR SCARCE RESOURCES

Remember, Mr. Chairman, that we are competing for scarce resources. Amtrak comes into this picture. The entire resources that are available when we talk about priorities, whether we are at fault or not, when the budget is presented before you we have made an allocation of priorities. We have made an allocation as between Amtrak and the problems in the Midwest and problems elsewhere in the country. That is the way we come with our allocation.

Reasonable men may differ on it, but these factors have all been taken into account.

Senator ANDREWS. What I am talking about is the allocation of that Milwaukee line. I am not worrying about the Amtrak part of it; that is strictly a movement of passengers. It is a concept of getting the grain produced in that area to the ports so that we can, in fact, export it to

help take care of our balance of payments. It is a concept of saving energy, because if we abandon that line, located as it is, you are not going to move all that grain or that coal, and you shut down that generating plant, and when you shut down a 600-megawatt plant that is a loss of $1 billion or more in capital, and it will increase electric rates in that area by 25 percent or so by making them reconstruct that plant.

It looks to me like that is a priority issue. The reason that they are looking at it not as sharply as they are some of the other areas goes to the fact that when a railroad is in bankruptcy court there are not a lot of lobbyists saying, "Hey, let us do it this way."

There is an awful lot more interest in the Powder River basin mine because you have pretty well-off railroads interested in it and pushing and nudging, and the only people who are going to be inconvenienced if the Milwaukee track is abandoned are probably a bankruptcy referee and several thousand farmers and consumers of electricity and the Nation itself. That is why I would like to get a word in for that Milwaukee track.

Having put my parochial cap on, let me get into another area.

TRANSFER OF THE ALASKA RAILROAD

What are the considerations involved in shifting responsibilities for the Alaska Railroad from the Federal Government to the State of Alaska?

Mr. BLANCHETTE. The Alaska Railroad is operated out of Washington, as you know, and my own view is that it ought to be transferred to local responsibility. We would hope to do that in fiscal year 1982 and get the Alaska Railroad more responsive to the needs of the local people there.

There is absolutely no reason in the world why it ought to be owned and its management calls made from Washington. We have talked to Senator Stevens, who has been very interested in this matter. Our General Manager up in Alaska has worked with the local legislative people there. It is not an easy thing to do, but I think if we all set our minds to it, the Alaska Railroad ought to go to the Alaskans and they ought to make their decisions as to what of their resources they want to allocate to that rail carrier.

OBJECTIVES OF LOCAL RAIL ASSISTANCE

Senator ANDREWS. What changes have taken place that you feel justify the discontinuance of the local rail assistance program and the $40 million reduction in rail restructuring assistance for fiscal year 1982? In your testimony 1 minute ago you said we have a lot of money for these grants and loan programs for certain structures in certain areas; but this is a program which has been ongoing. In your testimony you have mentioned the major objectives of the program have been fulfilled.

How have they been met? Why is there not a need in this area greater than in some of the other areas you have been talking about?

Mr. BLANCHETTE. The program started in the Northeast. It was intended to give local people an opportunity to adjust to the fact that on April 1, 1976, which is when Conrail was started, April Fool's Day, of

1976, 7,000 miles of line were to be abruptly terminated. Some little time, it was felt, was needed to permit these local constituencies to address themselves to that fairly draconian cut, but they never did. They kept on the subsidies, kept on the dole, and did not acquire the lines, with the exception of States like New York State which responded with reconstructive programs. 2,000 of the 3,000 remaining miles were still on the dole.

In the Midwest, some of that money was used very well in transitioning and we found that we are not in a position where our other program, feederline program under 505, general stock program under 505/511, can replace these to permit moneys to come back to the Government.

Frankly, with the exception of $2 million in contracts that had already been let, which will have to be honored, most people came to me and said,

> We understand that it is cut; we frankly can't quarrel with you privately that it is cut; we are going to readjust our own needs and wants to fit ourselves within your other program.

So I really think this was a program started for a purpose; the purpose was served. In some cases it was abused. Now we can transition out to more constructive Federal assistance programs for rail service.

COMPLIANCE WITH TRACK STANDARDS

Senator ANDREWS. Regarding the enforcement of your track safety program, there have been concerns expressed that it is cheaper for rail companies to pay the imposed fine than to repair the track involved. How do you police compliance with track standards and slow orders, and do you think the current penalties are sufficient to encourage compliance?

Mr. BLANCHETTE. Those railroads who say it is easier to comply with the fines and penalties are not the railroads that have been screaming to me because they are very concerned, and I have had numerous and repeated admonitions not to repeat past punitive philosophies in respect to railroads.

My own view of it is that before we engage in a massive fine or penalty program on the railroad, I want to talk to that railroad president or manager of that team to see what is going wrong. I don't know of a railroad president in America who wants an unsafe condition.

I think we are going to go off the punitive aspect of this and see what corrective measures can be made.

Now, the railroad people tell me that there has been progress made. We do know there has been a very substantial and material decline in railroad accidents. The decline is something like 13.6 percent even over a decline in traffic of 6 percent. So, I think we are making progress.

I think when we come up to the Congress with a system safety plan it will be one that has been reviewed by a number of people. I am satisfied under these standards that we are going to have safety, and I do not detect, Senator, that railroads are taking the fines in lieu of repairing the tracks, because they don't want those unsafe conditions any more than any of us want to encourage them to perpetuate them.

I do think that corrective measures are much more fruitful than punitive measures. Punitive measures will be resorted to if the railroad industry does not cooperate to maintain those track standards as we think they ought to be maintained.

MILWAUKEE AND ROCK ISLAND GRAIN LINES

Senator ANDREWS. I have one final oral question that I want to cover before we go into the others that I will submit for the record.

What has been the progress of phase I of the midwest grain lines improvement project, and what does phase II entail? What are its chances of being funded?

Mr. BLANCHETTE. I am not familiar with the terminology in terms of phase I and phase II. I know what the substantive programs have been.

Mr. Loftus, who is Associate Administrator for Federal Assistance, might be able to address himself to those particular phases of it, but I do know that very large percentages of the service—I think it is 65 percent in one case, 90 percent in the other, on both the Milwaukee and the Rock Island—have been continued in service, so that we have the vast preponderance of those lines that would have been discontinued now being operated.

Again, there may be a technical term to phase II.

Senator ANDREWS. The figures that were given to our staff, were, in effect, that we have essentially completed phase I, that we are about to move into phase II.

Mr. BLANCHETTE. One aspect of phase II is, for example, the reorganization of the Milwaukee Railroad, which has been given some breathing time by the ICC in order to submit its plan of reorganization.

Another aspect of phase II is the Miles City line movement, of which you spoke so eloquently sometime ago.

Senator ANDREWS. I hope it was not only eloquent but persuasive.

Mr. BLANCHETTE. It persuaded me, sir.

Perhaps Mr. Loftus can give you the details of where that application stands.

Mr. LOFTUS. Let me first explain phase I in the discussions that we presented to the committee.

It deals with primarily the acquisition of the Rock Island line from Twin Cities to Kansas City as a major grain route for grain coming out of the Middle West, particularly Iowa, some grain moving from the other States, and also the initial improvement of that.

Phase II is to raise it to a higher capacity, a 40-mile-an-hour railroad. Phase II anticipates what would be done with fiscal year 1982 money. The process now is still in a negotiating stage, but we understand with substantial progress, between the trustees of the Rock Island the main applicant, which is the Chicago North Western.

We have agreed, as I understand it, on the properties to be involved and they are about to start negotiations on the basis of price the first week of April. So we still anticipate that the railroad will be sold, that it is an ideal and important grain funnel for Midwest grain through Kansas City to the gulf ports, and that we are supportive of its rebuilding for that purpose.

Senator ANDREWS. And because of its moving into bankruptcy, you devised this grain plan, because this did, in effect, compromise the transportation segment for a key area, grain transportation?

Mr. LOFTUS. No question.

Senator ANDREWS. That is the reason I got into this. I remember years ago when I started on the Appropriations Committee, John Rooney, my first chairman, 16, 17 years ago, told me, never ask a question that you don't know the answer to. That is kind of true; but you made a great answer in this case.

Why would that parallel not hold in the case of the Milwaukee, which came along and has gone into bankruptcy and is, in effect, abandoning its main line—I am not talking about branch line but main line—in a very key agricultural area, a key energy-generating area, an area that has no other source of transportation? Why wouldn't that same type of program be justified there as it was with the Rock Island?

Mr. BLANCHETTE. It might well be.

Senator ANDREWS. Which your compatriot has said was such a success?

Mr. BLANCHETTE. That is correct. We know where the Rock Island is and we know it will never open its doors again, and the service for Rock Island will be conducted by others.

In the case of the Milwaukee, they are still targeting a private sector solution for the Milwaukee within its present corporate structure.

Senator ANDREWS. They have already dropped out everything from Miles City west and they tried to drop everything from Minnesota west to Miles City.

Mr. BLANCHETTE. That is correct. We wonder aloud—and this is a good forum to do it—if the Milwaukee wants that assistance, which is necessary to permit it to construct its viable core private sector, and if the Milwaukee has hundreds of millions of dollars in timberlands that might be available for distribution to its bondholders—whether maybe the trustees of the Milwaukee might want to join me in my peregrinations through the Midwest when we look at that.

ABANDONMENT OF MAIN LINE

Senator ANDREWS. The management of the Milwaukee, with the timberlands, seem to have evidenced a desire to pare that railroad down to part of its function in Minnesota and keep what function there is left a little south of there, and totally abandon the main line, as they have from Miles City to the west coast, and now from Miles City to Minnesota. That is an area that is a specific grain funnel, if you will, much in the same category as the Rock Island was when it was being abandoned.

Mr. BLANCHETTE. We may have something to say on that subject before the ICC if the private enterprise plan for the Milwaukee is proposed, in which the Milwaukee does not acquit all its public interest responsibilities.

Senator ANDREWS. This is something that I would hope can be done, because if it is not done, it will cost this country a great deal in transportation denied, in the cost of energy and in transportation alternatives.

We are appreciative of your testimony.

SUBMITTED QUESTIONS

I have a number of questions that I will submit for the record.

Senator Chiles has proposed some questions which he would like for you to answer in the record as well.

Thank you very much.

Mr. BLANCHETTE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Chiles

LOCAL RAIL SERVICE ASSISTANCE

Senator Chiles: The Administration has proposed to eliminate all funding for the local rail service assistance program. This program provides financial assistance to states for the states to assist railroads. Has the Department consulted with the states to determine what impact the elimination of funding will have on state rail assistance programs? Will the states continue these programs with their own funding? Please provide for the record a listing of the amount of monies that has gone to each of the states for 1980 and 1981. What generally is the Department's rationale for eliminating this program?

Response: The local rail service assistance program has accomplished the primary purpose for which it was created. Light density lines in the northeast which were not included in Conrail have been kept operating for 5 years permitting time for sufficient effort to be made to either make these lines profitable or to find alternatives to the lost rail service. Rather than retain a broad spectrum program which may not be cost-effective in addressing future rail service problems, we recommend ending the local rail service assistance program with the intent of dealing directly and specifically with future problems when and if they occur as has been done with the Rock Island and Milwaukee Road bankruptcies.

Nationally, the states have carried over about $77 million in previously obligated funds into FY 81 which can be reprogrammed to resolve potential impacts resulting from immediate cessation of the program. With the exception of a few states, we have found that there will be no significant impact from terminating the program. Where impacts are apparent, we are working with the affected states to find workable approaches to minimize these consequences.

States who continue to have serious branch line service problems such as New York, Michigan, South Dakota and Iowa, have established their own state rail programs. We can expect others to build upon the expertise they have gained under the federal program and also create state programs uniquely tailored to their situations.

A listing of obligations by purpose and state for FY 1980 and FY 1981 has been provided for the record. Sums obligated for FY 1981 can be funded from monies carried over from FY 1980.

LOCAL RAIL SERVICE ASSISTANCE (GRANTS)
FISCAL YEAR 1980 TOTAL OBLIGATIONS

STATE	PROJECT*	PLANNING	TOTAL
ALABAMA	$ 805,085	$ 100,000	$ 905,085
ALASKA	-0-	100,000	100,000
ARIZONA	605,892	100,000	705,892
ARKANSAS	805,085	100,000	905,085
CALIFORNIA	1,414,686	100,000	1,514,686
COLORADO	805,085	100,000	905,085
CONNECTICUT	843,241	61,844	905,085
DELAWARE	63,000	33,386	892,029
DIST. OF COLUMBIA	-0-	-0-	-0-
FLORIDA	892,306	100,000	992,306
GOERGIA	805,085	100,000	905,085
IDAHO	1,256,485	-0-	1,256,485
ILLINOIS	5,225,543	-0-	5,225,543
INDIANA	3,128,837	-0-	3,128,837
IOWA	6,900,937	363,207	7,264,144
KANSAS	-0-	100,000	100,000
KENTUCKY	1,072,090	-0-	1,072,090
LOUISIANA	812,155	100,000	912,155
MAINE	830,085	75,000	905,085
MARYLAND	1,495,011	-0-	905,085
MASSACHUSETTS	905,085	-0-	905,085
MICHIGAN	4,037,852	-0-	4,037,852
MINNESOTA	4,325,566	182,800	4,508,366
MISSISSIPPI	1,882,839	100,000	1,982,839
MISSOURI	2,037,717	107,248	2,144,965
MONTANA	3,247,688	181,457	3,629,145
NEBRASKA	-0-	100,000	100,000
NEVADA	905,085	-0-	905,000
NEW HAMPSHIRE	805,085	100,000	905,000
NEW JERSEY	811,640	93,360	905,000
NEW MEXICO	-0-	100,000	100,000
NEW YORK	2,777,506	146,184	2,923,690
NORTH CAROLINA	863,153	41,932	905,085
NORTH DAKOTA	642,310	100,000	1,642,310
OHIO	3,003,549	-0-	3,003,549
OKLAHOMA	1,241,078	100,000	1,341,078
OREGON	803,650	50,000	853,650
PENNSYLVANIA	2,620,286	-0-	2,620,286
RHODE ISLAND	905,085	-0-	905,855
SOUTH CAROLINA	-0-	100,000	100,000
SOUTH DAKOTA	6,038,001	259,926	5,197,927
TENNESSEE	905,085	-0-	905,085
TEXAS	2,306,544	121,397	2,427,941
UTAH	-0-	100,000	100,000
VERMONT	876,285	28,800	905,085
VIRGINIA	1,110,802	-0-	905,085
WASHINGTON	2,569,480	77,800	2,647,280
WEST VIRGINIA	905,085	-0-	905,085
WISCONSIN	5,003,589	156,800	5,160,389
WYOMING	-0-	-0-	-0-
TOTAL	$79,290,653	$3,781,141	$83,071,389

* Broken down by category on page 2

LOCAL RAIL SERVICE ASSISTANCE (GRANTS)
FISCAL YEAR 1980 PROJECT FUNDING BY CATEGORY

STATE	REHABILITATION	RAIL FACILITY CONSTRUCTION	SUBSTITUTE SERVICE	ACQUISITION	OPERATING SUBSIDY	TOTAL
ALABAMA	$ 805,085					$ 805,085
ALASKA						-0-
ARIZONA	605,892					605,892
ARKANSAS	805,085					805,085
CALIFORNIA	1,242,450	$ 172,236				1,414,686
COLORADO		805,085				805,085
CONNECTICUT				$ 293,515	$ 594,726	843,241
DELAWARE					63,000	63,000
DIST. OF COLUMBIA						-0-
FLORIDA	892,306					892,306
GEORGIA	805,085					805,085
IDAHO	1,256,485					1,256,485
ILLINOIS	2,190,000	48,000		44,800	2,942,743	5,225,543
INDIANA	1,691,224				1,437,613	3,128,837
IOWA	6,900,937					6,900,937
KANSAS						-0-
KENTUCKY	1,072,090					1,072,090
LOUISIANA	812,155					812,155
MAINE	672,364			13,454	144,267	830,085
MARYLAND					1,495,011	1,495,011
MASSACHUSETTS					905,085	905,085
MICHIGAN					4,037,852	4,037,852
MINNESOTA	4,325,566					4,325,566
MISSISSIPPI	1,882,839					1,882,839
MISSOURI	2,037,717					2,037,717
MONTANA	3,247,688					3,247,688
NEBRASKA						-0-
NEVADA		905,085				905,085
NEW HAMPSHIRE				600,000	205,085	805,085
NEW JERSEY	619,612			1,915	190,113	811,640
NEW MEXICO						-0-
NEW YORK			$1,133,236		1,644,270	2,777,506
NORTH CAROLINA	863,153					863,153
NORTH DAKOTA	412,390		229,920			642,310
OHIO	1,947,803	55,325			1,000,421	3,003,549
OKLAHOMA	566,206			674,872		1,241,078
OREGON	803,650					803,650
PENNSYLVANIA	82,432		87,929		2,449,925	2,620,286
RHODE ISLAND	905,085					905,085
SOUTH CAROLINA						-0-
SOUTH DAKOTA	5,038,201		999,800			6,038,001
TENNESSEE	452,463				452,622	905,085
TEXAS	2,306,544					2,306,544
UTAH						-0-
VERMONT	876,285					876,285
VIRGINIA					1,110,802	1,110,802
WASHINGTON	2,569,480					2,569,480
WEST VIRGINIA	404,068				501,017	905,085
WISCONSIN	3,939,410				1,064,179	5,003,589
WYOMING						-0-
TOTAL	$53,031,750	$1,985,731	$2,450,885	$1,628,556	$20,193,731	$79,290,653

LOCAL RAIL SERVICE ASSISTANCE FY 1981 OBLIGATIONS

State	Amount	Purpose
New Jersey	$ 100,000	Planning
New Jersey	616,055	Rehabilitation and Subsidy
Delaware	12,950	Rehabilitation
North Dakota	100,000	Planning
Virginia	859,215	Subsidy and Lease
West Virginia	250,000	Subsidy
Total	$1,938,220	

DIRECT LOANS AND LOAN GUARANTEES
TO HELP RAILROADS RESTRUCTURE

Senator Chiles: The Department of Transportation has identified 10 rail corridors that have too many rail lines. What are these 10 corridors? Is the agency's railroad restructuring assistance targeted on these 10 rail corridors to bring about the needed elimination of duplicate trackage? If not, why not?

Response: In its 1977 report to the Congress, pursuant to Section 503(e) of the Railroad Revitalization and Regulatory Reform Act of 1976, the Department identified 10 "Corridors of Consolidation Potential" to focus attention on areas where restructuring could be of material benefit to carriers and the public. The corridors were:

(1) Chicago-Omaha: 5 railroads
(2) Chicago-Minneapolis: 5 railroads
(3) Chicago-St. Louis: 4 railroads, 5 routes
(4) Chicago-Detroit: 4 railroads
(5) Kansas City-Omaha-Colorado: 5 railroads, 6 routes
(6) Dallas-Ft. Worth-Houston: 5 railroads
(7) Chicago-Southern Gateways: 4 railroads, 7 routes
(8) Chicago-Pittsburgh: 3 railroads, 4 routes
(9) Chicago-Buffalo: 3 railroads, 4 routes
(10) Chicago-Kansas City: 8 railroads

FRA's rail restructuring assistance program has as one of its objectives the targeting of projects directly relating to the reduction of excess capacity in rail lines. While most applications for assistance actually filed by rail companies and other interests have emphasized other, related goals, such as safety of operations or rehabilitation of principal route segments, substantial commitments of preference share funding have directly involved negotiations leading to major coordinations in the Chicago-Omaha and Chicago-Twin Cities corridors.

Senator Chiles: Based on the justification material, one of the major purposes of Section 505 direct loan and the 511 loan guarantee funding support is to induce the railroads to proceed with needed restructuring. Is this funding instrumental in inducing railroads to restructure, or does it merely ease the impact and assist in restructuring after railroads have decided to restructure due to economic forces? Please explain how this funding can be the primary motivating force for a railroad to restructure. Please cite an example of a restructuring case when the availability of these Federal funds were the primary motive in inducing a railroad to restructure.

Response: The Title V funding is instrumental in inducing railroads to restructure. At the same time it aims to assist the rail system toward achieving a more efficient and economic network. Financially weak railroads have been unwilling and unable to undertake restructuring voluntarily. They see significant restructuring as having an immediate adverse effect on cash flow, regardless of long-term benefits. There are, however, segments of such weaker railroads which would be economically attractive in partnership with the systems of stronger carriers if the systems were restructured. The present statutory authority enables the Department to encourage the stronger, solvent carriers to undertake such restructuring and the availability of low-cost Federal assistance helps considerably in overcoming the railroads' reluctance to initiate restructuring negotiations while making the benefits more consistent with their corporate goals and priorities.

The restructuring process now underway in the Midwest is a working example of how the industry can resolve the problems of excess capacity and marginal railroads. The Milwaukee Railroad's Trustee would not have been able to reduce the railroad to a smaller core operation without the Federal funding of track rehabilitation on the main line (Chicago-Twin Cities) of the core system. Acquisition of the Rock Island's Tucumcari Line by the St. Louis Southwestern Railway Company was funded in the private sector and Title V assistance was used to rehabilitate the line.

Senator Chiles: The Administration has reduced the Carter request of $150 million for railroad restructuring assistance to $110 million. How many applications are on hand at the present time to measure against the $110 million of requested funding?

Response: At present, there are 27 applications on hand for an aggregate of $571 million in funding. This includes 20 applications for a total of $340 million submitted by noncarrier entities pursuant to section 112 of the Rock Island Railroad Transition and Employee Assistance Act.

Major prospective applications for high priority restructuring projects include the rehabilitation of grain gathering lines in the Kansas City-Twin Cities corridor; rehabilitation of the Milwaukee's Miles City line, on which a utility depends for coal delivery service; and rehabilitation of the former Rock Island's line from Herington, Kansas, through Oklahoma to Fort Worth-Dallas.

Senator Chiles: What is the effective interest rate of the Section 505 "redeemable preference shares" program?

Response: On shares issued to reduce deferred maintenance, the statutory requirement is a minimum return to the Government (including repayment of principal) of 150 percent of the par value of the shares; such return being equal to an effective annual yield from the date of issuance of 2.03 percent, assuming a term of 30 years and dividend and redemption payments both commencing on the eleventh anniversary date. The maximum permissible yield to the Government on shares issued to reduce deferred maintenance is equal to the applicant's rate of return on total capital for the 3 years preceding the filing of the application. When the proceeds of the preference share financing are used for other projects, such as the upgrading of facilities, the Department's policy is to make funding available at cost of money to the Government except where the public benefits associated with a project clearly warrant a lower yield.

RAILROAD SAFETY

Senator Chiles: The justification material (page 20) indicated that FRA intends to inspect 78,000 miles of track in FY 1982. What is the total universe of track miles that FRA is responsible for inspecting? Please provide data indicating the output of this track inspection activity. How many slow orders were issued to the railroads last year? Under what circumstances does FRA issue fines.

Response: There are an escimated 305,000 miles of railroad track, including yards and sidings. The ATIP vehicles surveyed about 68,000 miles of track in 1980. In addition to the ATIP surveys, Federal inspectors covered approximately 150,000 miles of track, and state inspectors inspect about 95,000 track miles. Altogether, about 310,000 miles of track are inspected by Federal or state inspectors in a typical year, including about 60,000 miles of reinspection or followup inspections.

Where identified track defects are not promptly corrected, FRA will impose appropriate penalties. Slow orders are rarely issued by the FRA, since the railroads will almost always voluntarily lower train speeds to conform with the track safety standards. In calendar year 1980, three slow orders were issued to railroads by the FRA. FRA collected $15.3 million in penalties from the railroads in FY 1980 for violations of Federal safety standards.

Senator Chiles; I understand that FRA has been requested to develop a safety inspection plan that would permit the agency to target its inspection activities more precisely on those portions of the railroad system that are in worse repair. Has the plan been completed? If not, when will it be completed?

Response; FRA's System Safety Plan is being reviewed by the new Administration, and will be submitted to Congress shortly.

The approach recommended in the draft plan is to target inspection activities more precisely by requiring annual inspection plans from each of FRA's safety regions. These inspection plans emphasize carriers and railroad divisions experiencing the greatest safety problems.

Senator Chiles: Why does the Federal government need to provide a safety inspection service for railroads? Don't the railroads have an incentive of their own to maintain trackage in adequate repair? What would be the impact on train safety if the funds requested for railroad safety were cut in half?

Response: In most cases, the railroads recognize that it is in their self-interest to maintain their track and equipment in good repair. The railroads have large, and for the most part, effective inspection programs. For this reason it is not necessary for Federal or state inspectors to have primary inspection responsibility; government inspectors monitor the railroads' inspection effort.

A significant cut in Federal inspectors and safety related activities would have serious adverse effects. In particular, the pressure on carriers of marginal profitability to maintain satisfactory safety standards would be eased. These are the carriers most likely to have high accident rates.

FRA RESEARCH AND DEVELOPMENT PROGRAM

Senator Chiles: FRA has requested $59.1 million for railroad research and development activities. The budget justification described the proposed research activities for FY 1982 in some detail. Absent, however, was a discussion of the actual output of this research effort, and also a discussion of how FRA determines which research activities it should pursue. With the research activity of last year, what specific tangible results came from the research activities? What portion of the research projects undertaken by FRA are used by the railroad industry? Give examples.

Response: FRA's Office of Research and Development recently released a directory of its research and development projects, entitled "Improving Railroad Technology." It has been distributed to the various Congressional Committee members. It provides a detailed discussion of the three program areas of the Office and includes a description of each subprogram, project, and its related contracts and publications.

The criteria used to determine which research activities should be pursued are that they must improve the safety, energy efficiency, and productivity of railroads. We receive requests for specific R&D projects from the FRA Office of Safety, the National Transportation Safety Board, Amtrak, the academic community, labor organizations, railroads, and railroad suppliers. Reviews are held with these, our "customers," to make sure our R&D is user-oriented and establish which projects should be conducted solely by FRA and which ones should be conducted jointly. The final evaluation and selection is done by FRA management members on the R&D Requirements Committee.

FRA's January budget request for $59.1 million in FY 1982 was amended to $50.0 million. In the area of safety research, the major results last year were the completion of testing and analysis of 105 series tank cars; providing technical support for hazardous material regulations HM 174 and HM 175; the delivery of a self-propelled Automated Track Inspection Program vehicle to the Office of Safety; reaching 500 million gross ton miles and 300,000 train miles of testing on Facility for Accelerated Service Testing (FAST) to date; and development of a track strength performance standard. The most significant results derived from last year's freight and passenger systems research were: the completion of the LRC and AEM-7/Amfleet cant deficiency testing leading to an Amtrak waiver request for higher speeds in curves; the completion of the radial axle test program; the development of information for railroads' use in analyzing the costs and benefits of converting to electric propulsion; the development of two low-cost catenary designs; the establishment of an electromagnetic compatibility test facility; a feasibility study of a dual-mode locomotive; and a technical manual on classification yard design methods.

Included in the FY 1982 budget is $9.3 million for the Transportation Test Center at Pueblo. The Test Center now has in operation the following major facilities: Wayside Rail Dynamic Laboratory; FAST; high speed electrified railroad test track; third rail electrified transit loop; and a components testing laboratory.

The appropriated funds are for operation and maintenance of the Test Center. Direct expenses for tests are paid for out of specific program line items.

Under the Policy Support program, cooperative experiments were carried out with an auto maker and several railroads to improve the utilization of multi-level auto transporter cars. The experiments were designed to distribute rail cars in such a way to minimize empty return mileage by shifting empty cars to the nearest point of loading, rather than to the point of origination. We estimate that by the end of the 1981 model year alone, a total of 25 million empty car miles will have been saved in the experiment. These experiments, begun in April, 1979, will be expanded to other manufacturers and railroads in the upcoming model year.

More than half of our projects are specifically requested by the railroads. In addition, by working with the Transportation Research Board of the National Academy of Sciences and with various industry committees, we have developed a research program we believe is responsive to the needs of the railroad industry.

All of our research results are used by at least some portion of the railroad industry. We pay special attention to the dissemination of the results of our work--through reports, symposia, magazine articles, and brochures--to ensure that those results are known and used. Several examples of some typical applications resulting from testing at Pueblo are as follows: Burlington Northern has installed chrome-molybdenum rail; Bessemer and Lake Erie Railroad has increased its use of heat treated rail; Santa Fe is trying out particle ties; Chessie System and Norfolk and Western are changing methods of hopper car crack repair; and Amtrak is ordering modifications to its new AEM-7 locomotives.

Senator Chiles: The President stated in his February 18 report entitled, "A Program for Economic Recovery," that "the need for research and development is beyond question but in times of austerity these projects can be postponed or eliminated." In the spirit of that statement, what would be the impact of reducing the funding for FRA research programs by 20%; by 50%?

Response: There are two major scenarios by which a 20% reduction could be accommodated. The first would be through a review of the prioritization of our R&D projects and elimination of those which would cause the least disruption to the R&D users if curtailed or reduced. This was basically the method used to achieve the 15 percent reduction in FY 1982 from the January budget submission. The second would be to cease operation of the Facility for Accelerated Service Testing (FAST) for FY 1982. This program is currently funded at $9,135,000 under the Safety Testing subprogram. If a 50% reduction has to be accommodated, the FAST program would definitely be eliminated. In addition, the Transportation Test Center would be closed and its FY 1982 budget of $9,300,000 eliminated and, lastly, our prioritized list of R&D projects would be reviewed and the remaining $6,565,000 would be derived by eliminating the least disruptive projects to the industry in terms of invested capital and planned commitments, conducting more studies in-house, and supporting only those essential projects that complement the balance of tasks in the FRA.

CONTRACTUAL SUPPORT

Senator Chiles: A portion of the funding within the contractual support category for rail service assistance programs is proposed for state assistance. In view of the fact that the agency has proposed to eliminate the Local Rail Service Assistance Program, does it also propose to eliminate the contractual support for state assistance programs? If not, why not?

Response: While we have recommended cessation of the Local Rail Service Assistance Program, state assistance in other forms will continue. The Rock Island Transition and Employee Assistance Act and the Feeder Line program established in the Staggers Rail Act of 1980 make available funding for light density line acquisitions and rehabilitation to noncarrier entities in the former instance and to "financially responsible persons, " except Class 1 and 2 railroads, in the latter instance. Both can and will include states as well as substate governmental units. Contractual support to implement these programs and to examine future light density line issues, as they occur, will continue to be needed.

Senator Chiles: Within the contractual support category for rail service assistance programs, $1.3 million has been requested for Northeast rail studies and another $1.4 million has been requested for work to determine what management and productivity improvements can be made in the railroad industry. Why can't these two items be funded through the research and development program?

Response: The Research and Development Program is designed to improve the state-of-the-art and result in generally applicable technological advancements. The studies undertaken with these funds will, on the other hand, address specific issues arising from the restructuring of individual carriers and will support implementing actions. In the Northeast, the government, shippers, labor and the states must address the Conrail crisis. The $1.3 million requested would enable the Department to assist in implementing the legislative actions which the Congress takes to deal with the problem.

The $1.4 million will be used to assist in implementing solutions to employee related issues on specific marginal railroads being restructured, including the Milwaukee and Conrail. Any private-sector solution for these carriers significantly affects employees and involves difficult issues which must be resolved. These issues include implementing labor protection and preferential hiring assistance for displaced employees of Rock Island, Milwaukee and Conrail.

Senator Chiles: A portion of the rail freight assistance program contractual money is being used to administer both old and new railroad loan assistance activities. Why is this being done under contract instead of with FRA employees?

Response: The project type financing administered by the Office of National Freight Assistance Programs requires the use of contractor support services for timely and efficient coverage of short-term peak demands for technical services for which it would not be practical to hire permanent employees. Further, the specialized technical expertise relating to railroads is not generally available in the Civil Service System. Contractor

personnel supplement the limited permanent staff, providing on an as-required basis, the technical capability and manpower needed to process several applications and physically monitor the approved projects that may be in progress at any one time.

The members of the permanent staff are assigned overall responsibility as project managers of the individual applications/projects. Contractor personnel are used in the field to perform on-site evaluations and physical inspections of applicant records and work in progress. Contractor personnel also provide specialized engineering, marketing and financial studies as required in evaluating applicants' proposals.

Questions Submitted by Senator Andrews

SAFETY

Senator Andrews: The most recent semi-annual report of the Inspector General points out that your automated track inspection program has not resulted in any significant improvements in railroad safety and that your inspection strategy does not emphasize inspection of track with the greatest potential for safety improvement. What comments do you have on the audit's findings and what actions have you taken as a result?

Response: The Inspector General's Automated Track Inspection report was generally constructive. It identified the need for more extensive training of field inspectors in the use of the data generated by the track geometry test vehicles. FRA has established a training program to correct this problem.

The report's emphasis on inspection of track with the greatest potential for safety improvement is appropriate, but other factors are also important. Major routes for hazardous materials and passenger traffic are FRA's highest priorities and consequently receive first attention. Our response to the OIG Report pointed out that while the track in question was of poor quality, the owning railroad was in bankruptcy and because it could not fix the track speeds were restricted to 10 mph. In addition, the inspection vehicles are most efficient when used at speeds greater than 30 mph. FRA's current inspection strategy considers all these factors.

Senator Andrews: Please provide a list of all freight accidents which occurred in 1980, noting the railroad(s) involved, the location, the cargo (if available), the date, and the cause of the accident.

Response: FRA is submitting the most recent data available (an 11 month summary of the railroad accidents in 1980). A 12 month summary will be available by May 1, 1981. More detailed information concerning individual railroads, accidents in particular states or counties, and accident causes can be provided. Although a listing of all the 9,000 freight accidents could also be supplied, the computer listing would be over three feet high and cost about $500 to prepare. The information follows:

2/11/83 1980 RAIL EQUIPMENT ACCIDENTS BY CAUSE AND TYPE ACCIDENT - JAN - NOV

CAUSES	COLLISIONS	COLLISION $DAMAGE	DERAILMENTS	DERAILMENT $DAMAGES	OTHER	OTHER $DAMAGE	TOTAL ACCIDENTS	TOTAL $DAMAGE
TRACK, ROADBED AND STRUCTURES								
ROADBED DEFECTS	2	11,886	137	8,888,889	5	1,172,866	144	9,984,679
TRACK GEOMETRY DEFECTS	8	249,953	1,453	45,781,987	2	28,132	1,463	46,060,072
RAIL AND JOINT BAR DEFECTS	4	97,697	820	36,818,529	1	22,676	825	36,138,902
FROGS, SWITCHES AND TRACK APPLIANCES	50	710,504	677	8,565,735	7	36,934	734	9,293,173
OTHER WAY AND STRUCTURE	1	4,500	14	263,821	5	101,075	20	369,396
SIGNAL AND COMMUNICATION FAILURES	6	64,250	10	216,411	4	46,575	20	327,236
	71	1,138,708	3,111	99,627,292	24	1,407,458	3,206	102,173,458
MECHANICAL AND EQUIPMENT FAILURES								
BRAKES	14	172,267	126	4,255,967	28	349,689	168	4,777,843
TRAILER OR CONTAINER ON FLAT CAR	0	0	2	33,850	7	162,468	9	196,318
BODY	2	84,815	119	5,945,831	8	86,050	129	6,117,896
COUPLER AND DRAFT SYSTEM	13	389,025	139	3,760,247	11	72,681	163	4,221,953
TRUCK COMPONENTS	3	461,346	283	8,685,920	3	13,495	289	9,160,761
AXLES AND JOURNAL BEARINGS	0	0	174	9,270,113	7	75,748	181	9,345,853
WHEELS	6	1,126,896	257	12,531,976	1	16,000	264	13,674,872
LOCOMOTIVES	4	318,868	44	1,709,166	62	1,268,556	110	3,296,590
DOORS	4	25,525	3	30,209	1	4,500	8	60,234
OTHER MECHANICAL AND ELECTRICAL FAILURES	3	21,448	8	357,320	15	202,797	26	581,565
	49	2,599,390	1,155	46,580,599	143	2,253,496	1,347	51,433,885
TRAIN OPERATION - HUMAN FACTORS								
BRAKES, USE OF	194	5,857,589	182	3,685,931	26	276,702	322	7,820,813
EMPLOYEE PHYSICAL CONDITION	2	28,430	3	89,600	0	0	5	118,030
FLAGGING, FIXED, HAND AND RADIO SIGNALS	51	9,925,726	14	714,371	8	111,840	73	10,751,937
OTHER RULES AND INSTRUCTIONS	426	7,787,736	126	2,041,436	47	543,750	599	10,372,922
SPEED	75	1,926,933	110	8,116,074	20	182,600	205	10,225,607
SWITCHES, USE OF	93	2,278,001	253	3,048,902	22	187,741	368	5,514,644
MISCELLANEOUS HUMAN FACTORS	69	2,200,484	474	11,421,738	30	389,433	573	14,011,655
	910	27,204,690	1,082	29,118,052	153	1,692,066	2,145	58,014,808
MISCELLANEOUS								
COLLISION WITH HWY USER AT GRADE CROSSING	0	0	0	0	230	5,555,674	230	5,555,674
WANDALISM	13	1,659,383	81	2,664,794	62	798,399	156	5,122,576
LOAD SHIFTED	7	454,380	49	1,602,743	8	104,336	64	2,161,459
INTERACTION OF LATERAL/VERTICAL FORCES	2	11,050	140	5,724,333	0	0	142	5,735,383
MISCELLANEOUS CAUSES NOT OTHERWISE LISTED	67	4,045,221	290	16,521,721	131	2,723,187	488	23,290,129
	89	6,170,034	560	26,513,591	431	9,181,596	1,080	41,865,221
YEAR TOTAL	1,119	37,112,822	5,908	201,839,534	751	14,535,816	7,778	253,487,372

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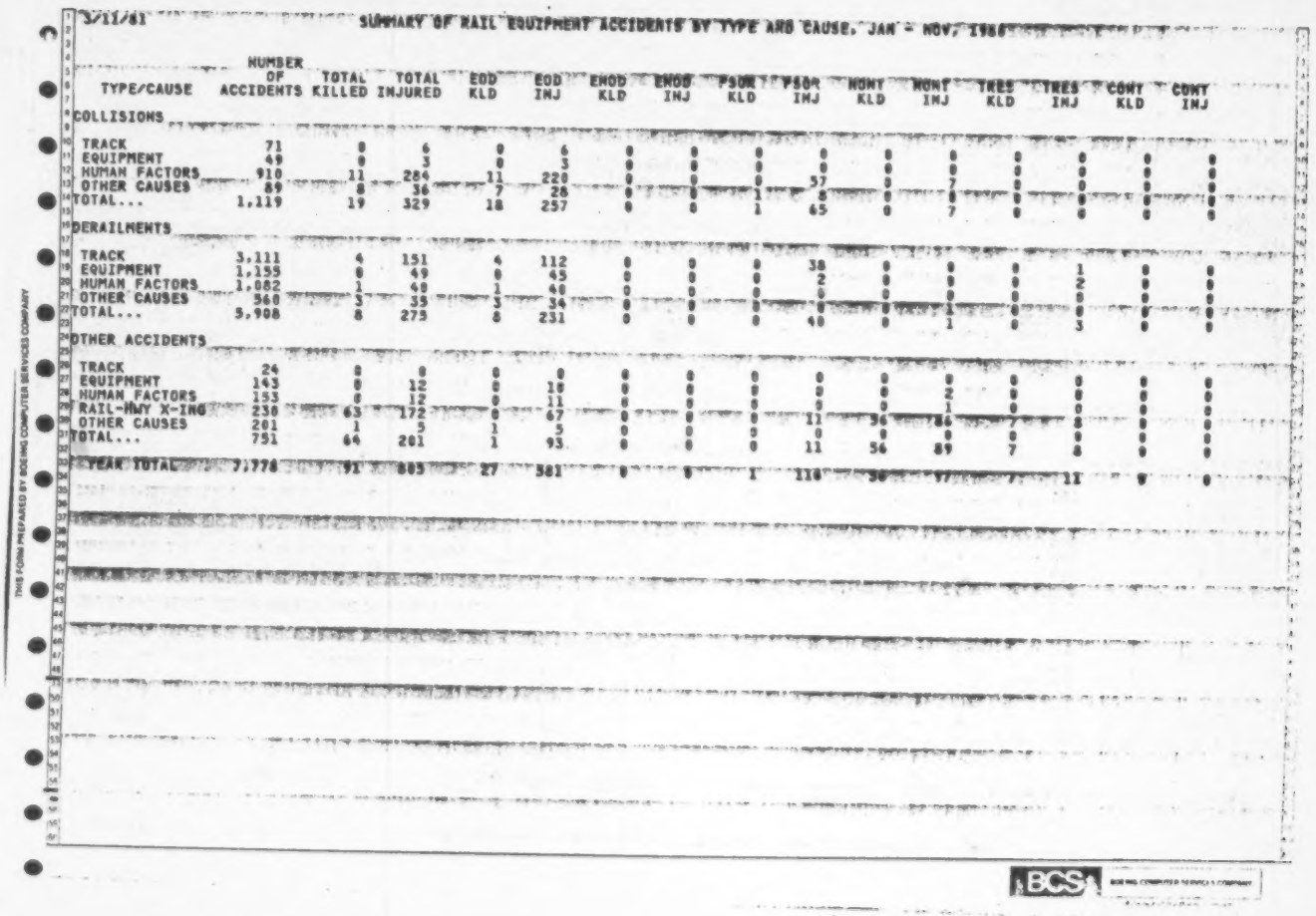

12/11/81 SUMMARY OF RAIL EQUIPMENT ACCIDENTS BY TYPE AND CAUSE, JAN - NOV, 1980

TYPE/CAUSE	NUMBER OF ACCIDENTS	TOTAL KILLED	TOTAL INJURED	EOD KLD	EOD INJ	ENOD KLD	ENOD INJ	PSOR KLD	PSOR INJ	NONT KLD	NONT INJ	TRES KLD	TRES INJ	CONT KLD	CONT INJ
COLLISIONS															
TRACK	71	0	6	0	6	0	0	0	0	0	0	0	0	0	0
EQUIPMENT	49	0	3	0	3	0	0	0	0	0	0	0	0	0	0
HUMAN FACTORS	910	11	284	11	220	0	0	0	57	0	7	0	0	0	0
OTHER CAUSES	89	8	36	7	28	0	0	1	8	0	0	0	0	0	0
TOTAL...	1,119	19	329	18	257	0	0	1	65	0	7	0	0	0	0
DERAILMENTS															
TRACK	3,111	4	151	4	112	0	0	0	38	0	0	0	1	0	0
EQUIPMENT	1,155	0	49	0	45	0	0	0	2	0	0	0	2	0	0
HUMAN FACTORS	1,082	1	48	1	48	0	0	0	0	0	0	0	0	0	0
OTHER CAUSES	560	3	35	3	34	0	0	0	0	0	1	0	0	0	0
TOTAL...	5,908	8	275	8	231	0	0	0	40	0	1	0	3	0	0
OTHER ACCIDENTS															
TRACK	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EQUIPMENT	143	0	12	0	10	0	0	0	0	0	2	0	0	0	0
HUMAN FACTORS	153	0	12	0	11	0	0	0	0	0	1	0	0	0	0
RAIL-HWY X-ING	230	63	172	0	67	0	0	0	11	36	86	7	8	0	0
OTHER CAUSES	201	1	5	1	5	0	0	0	0	0	0	0	0	0	0
TOTAL...	751	64	201	1	93	0	0	0	11	56	89	7	8	0	0
YEAR TOTAL	7,778	91	805	27	581	0	0	1	116	56	97	7	11	0	0

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5/11/81 1979 RAIL EQUIPMENT ACCIDENTS BY CAUSE AND TYPE ACCIDENT, JAN - NOV

CAUSES	COLLISIONS	COLLISION $DAMAGE	DERAILMENTS	DERAILMENT $DAMAGES	OTHER	OTHER $DAMAGE	TOTAL ACCIDENTS	TOTAL $DAMAGE
TRACK, ROADBED AND STRUCTURES								
ROADBED DEFECTS	6	74,076	193	10,544,078	3	325,988	204	10,944,852
TRACK GEOMETRY DEFECTS	8	215,426	1,744	41,239,949	4	57,572	1,756	41,512,947
RAIL AND JOINT BAR DEFECTS	6	451,386	1,010	37,446,525	1	7,460	1,017	37,905,371
FROGS, SWITCHES AND TRACK APPLIANCES	47	385,555	676	8,477,072	11	57,980	734	8,920,607
OTHER WAY AND STRUCTURE	0	0	20	3,054,274	7	442,485	27	3,496,759
SIGNAL AND COMMUNICATION FAILURES	5	30,422	7	291,093	1	4,405	13	325,920
	72	1,156,863	3,650	101,052,991	29	895,882	3,751	103,105,656
MECHANICAL AND EQUIPMENT FAILURES								
BRAKES	31	292,890	133	4,011,477	28	253,701	192	4,558,068
TRAILER OR CONTAINER ON FLAT CAR	1	25,153	7	336,267	7	121,809	15	483,229
BODY	3	23,480	157	5,996,841	17	144,920	177	6,165,241
COUPLER AND DRAFT SYSTEM	21	691,715	149	5,440,826	12	92,290	182	6,224,831
TRUCK COMPONENTS	1	10,000	364	12,340,156	3	25,533	368	12,375,689
AXLES AND JOURNAL BEARINGS	1	4,980	232	14,416,475	8	37,905	241	14,459,280
WHEELS	2	11,607	298	19,484,469	1	4,160	301	19,500,236
LOCOMOTIVES	8	941,118	64	3,456,240	82	1,989,048	154	6,386,486
DOORS	4	26,573	19	527,853	2	10,350	25	564,776
OTHER MECHANICAL AND ELECTRICAL FAILURES	4	28,796	15	870,609	20	324,812	39	1,215,417
	76	2,048,232	1,438	66,879,213	180	3,003,728	11894	71,931,173
TRAIN OPERATION - HUMAN FACTORS								
BRAKES, USE OF	173	4,450,828	123	2,499,297	43	987,783	339	7,937,182
EMPLOYEE PHYSICAL CONDITION	3	1,503,100	2	33,834	0	0	5	1,536,934
FLAGGING, FIXED, HAND AND RADIO SIGNALS	63	7,449,529	23	2,900,599	2	15,400	88	10,365,528
OTHER RULES AND INSTRUCTIONS	547	9,949,433	132	2,114,991	39	358,839	718	12,423,263
SPEED	83	4,681,263	148	17,371,877	21	395,549	244	22,448,689
SWITCHES, USE OF	110	4,145,305	266	2,758,301	15	234,728	391	7,138,326
MISCELLANEOUS HUMAN FACTORS	109	3,819,398	538	11,541,032	33	281,319	680	14,841,749
	1,088	35,198,046	1,224	39,219,931	153	2,273,612	2,465	76,691,591
MISCELLANEOUS								
COLLISION WITH HWY USER AT GRADE CROSSING	0	0	0	0	220	7,582,067	220	7,582,067
VANDALISM	22	387,136	47	5,823,265	45	925,350	164	6,335,691
LOAD SHIFTED	10	146,750	68	5,769,511	9	149,011	79	6,065,272
INTERACTION OF LATERAL/VERTICAL FORCES	1	19,388	111	5,698,179	0	0	112	5,717,479
MISCELLANEOUS CAUSES NOT OTHERWISE LISTED	68	1,256,656	344	13,547,680	123	1,851,197	535	16,655,531
	101	1,809,840	612	30,838,575	397	10,507,625	1,110	42,356,040
YEAR TOTAL	1,337	40,212,983	6,924	237,190,710	759	16,680,767	9,028	296,084,460

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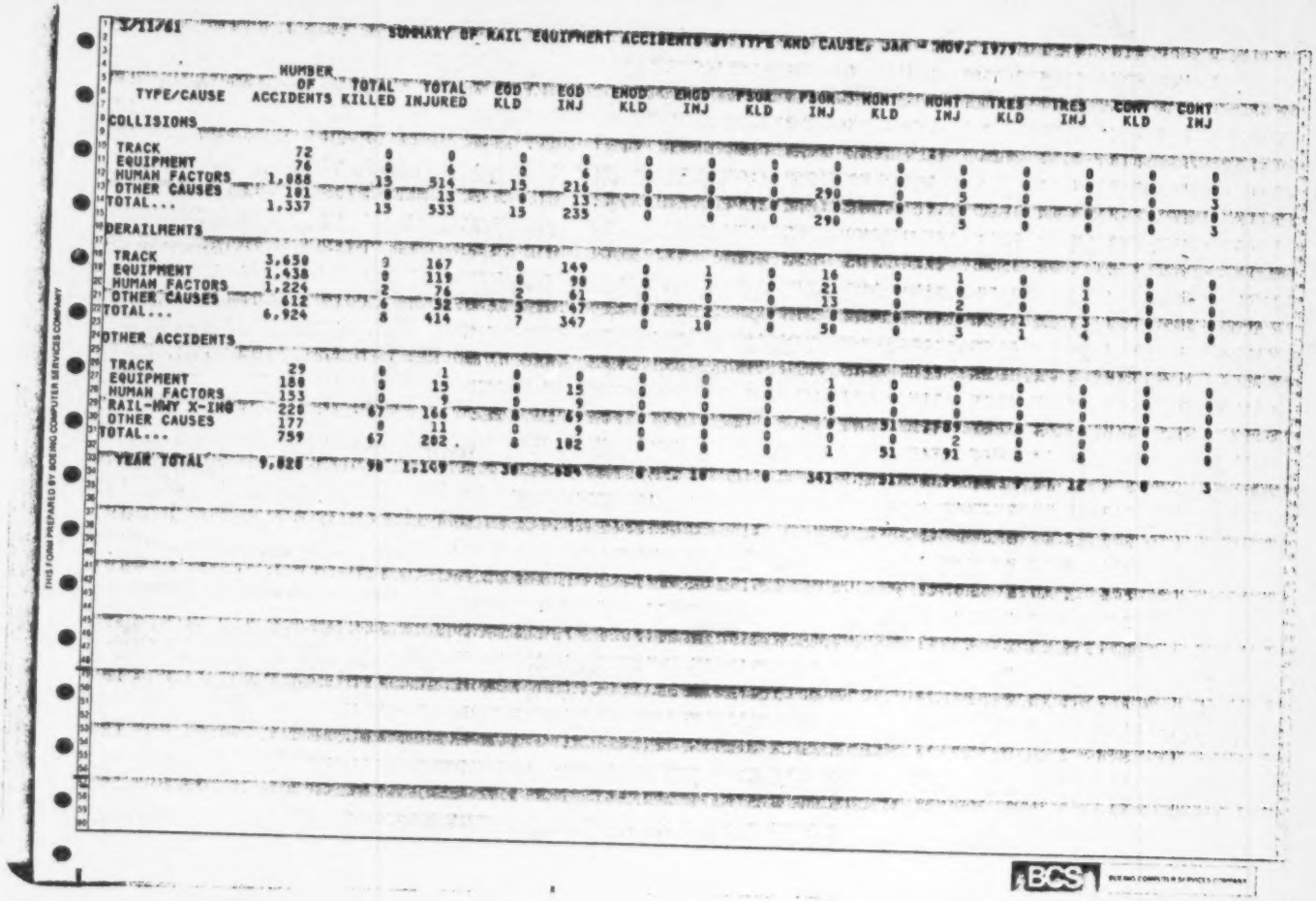

5/11/81 SUMMARY OF RAIL EQUIPMENT ACCIDENTS BY TYPE AND CAUSE, JAN - NOV, 1979

TYPE/CAUSE	NUMBER OF ACCIDENTS	TOTAL KILLED	TOTAL INJURED	EOD KLD	EOD INJ	ENOD KLD	ENOD INJ	FSOR KLD	FSOR INJ	MONT KLD	MONT INJ	TRES KLD	TRES INJ	CONT KLD	CONT INJ
COLLISIONS															
TRACK	72	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EQUIPMENT	76	0	6	0	6	0	0	0	0	0	0	0	0	0	0
HUMAN FACTORS	1,088	15	514	15	216	0	0	0	290	0	5	0	0	0	3
OTHER CAUSES	101	0	13	0	13	0	0	0	0	0	0	0	0	0	0
TOTAL...	1,337	15	533	15	235	0	0	0	290	0	5	0	0	0	3
DERAILMENTS															
TRACK	3,650	2	167	0	149	0	1	0	16	0	1	0	1	0	0
EQUIPMENT	1,438	0	119	0	98	0	7	0	21	0	0	0	0	0	0
HUMAN FACTORS	1,224	2	76	2	61	0	0	0	13	0	2	0	0	0	0
OTHER CAUSES	612	4	52	5	47	0	2	0	0	0	0	1	1	0	0
TOTAL...	6,924	8	414	7	347	0	10	0	50	0	3	1	4	0	0
OTHER ACCIDENTS															
TRACK	29	0	1	0	0	0	0	0	1	0	0	0	0	0	0
EQUIPMENT	188	0	15	0	15	0	0	0	0	0	0	0	0	0	0
HUMAN FACTORS	153	0	9	0	9	0	0	0	0	0	0	0	0	0	0
RAIL-HWY X-ING	220	67	166	0	69	0	0	0	0	51	89	0	0	0	0
OTHER CAUSES	177	0	11	0	9	0	0	0	1	0	2	0	0	0	0
TOTAL...	759	67	202	0	102	0	0	0	1	51	91	0	0	0	0
YEAR TOTAL	9,020	90	1,149	30	684	0	10	0	341	51	99	1	12	0	3

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BCS BOEING COMPUTER SERVICES COMPANY

1/11/81

COMPARISON OF 1979-1980 RAIL EQUIPMENT ACCIDENTS BY CAUSE (JAN - NOV)

CAUSES	NBR OF ACCS 1979	NBR OF ACCS 1980	$DAMAGE 1979	$DAMAGE 1980	KILLED 1979	KILLED 1980	INJURED 1979	INJURED 1980	HAZMAT RELEASE 1979	HAZMAT RELEASE 1980
TRACK, ROADBED AND STRUCTURES										
ROADBED DEFECTS	204	144	10,944,052	9,984,679	0	2	47	8	2	3
TRACK GEOMETRY DEFECTS	1,756	1,463	41,512,947	46,060,072	0	2	51	54	17	20
RAIL AND JOINT BAR DEFECTS	1,017	825	37,905,371	36,138,902	0	0	56	83	21	22
FROGS, SWITCHES AND TRACK APPLIANCES	734	734	8,920,687	9,293,173	0	0	10	10	5	8
OTHER WAY AND STRUCTURE	27	28	3,496,759	369,396	0	0	3	0	2	0
SIGNAL AND COMMUNICATION FAILURES	13	28	325,920	327,236	0	0	1	2	0	0
	3,751	3,206	103,105,656	102,173,458	0	4	168	157	45	53
MECHANICAL AND EQUIPMENT FAILURES										
BRAKES	192	168	4,558,068	4,777,843	0	0	8	11	4	3
TRAILER OR CONTAINER ON FLAT CAR	15	9	483,229	196,518	0	0	0	5	0	2
BODY	177	129	6,163,241	6,117,896	0	0	7	10	2	5
COUPLER AND DRAFT SYSTEM	182	163	6,224,831	4,221,953	0	0	12	1	3	1
TRUCK COMPONENTS	368	289	12,375,689	9,160,761	0	0	17	9	4	1
AXLES AND JOURNAL BEARINGS	241	181	14,459,280	9,345,853	0	0	6	5	9	10
WHEELS	301	264	19,500,236	13,674,872	0	0	51	13	6	5
LOCOMOTIVES	154	110	6,386,406	3,296,598	0	0	29	10	1	0
DOORS	25	8	564,776	60,234	0	0	1	0	0	0
OTHER MECHANICAL AND ELECTRICAL FAILURES	39	26	1,219,417	581,565	0	0	9	0	0	0
	1,694	1,347	71,931,173	51,433,885	0	0	140	64	29	32
TRAIN OPERATION - HUMAN FACTORS										
BRAKES, USE OF	339	322	7,937,102	7,020,013	1	1	20	37	1	2
EMPLOYEE PHYSICAL CONDITION	5	5	1,536,934	118,030	1	0	5	2	0	0
FLAGGING, FIXED, HAND AND RADIO SIGNALS	88	73	10,365,528	10,751,937	6	6	301	112	1	1
OTHER RULES AND INSTRUCTIONS	718	599	12,423,263	10,372,922	1	2	93	84	1	4
SPEED	244	205	22,448,689	10,225,607	3	1	87	46	2	0
SWITCHES, USE OF	391	368	7,138,326	5,514,644	3	2	68	21	0	1
MISCELLANEOUS HUMAN FACTORS	680	573	14,841,749	14,011,655	2	0	25	34	0	4
	2,465	2,145	76,691,591	58,014,808	17	12	599	336	13	14
MISCELLANEOUS										
COLLISION WITH HWY USER AT GRADE CROSSING	220	230	7,582,067	5,555,674	67	63	166	172	0	1
VANDALISM	164	156	6,335,691	5,122,576	0	0	22	10	1	0
LOAD SHIFTED	79	64	6,065,272	2,161,459	1	1	4	5	2	1
INTERACTION OF LATERAL/VERTICAL FORCES	112	142	5,717,479	5,735,383	0	0	2	6	1	3
MISCELLANEOUS CAUSES NOT OTHERWISE LISTED	535	488	16,655,931	23,290,129	5	11	48	55	7	9
	1,110	1,080	42,356,840	41,865,221	73	75	242	248	11	14
TOTAL	9,020	7,778	294,084,460	253,487,372	90	91	1,149	805	98	113

17,995 RECORDS TOTALED

THIS FORM PREPARED BY BOEING COMPUTER SERVICES COMPANY

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Senator Andrews: Please summarize the progress which has been made on increasing the number of headshields and shelf couplers in use on tank cars carrying hazardous materials. What have been the results of your new regulations governing these safety items?

Response: The retrofit of DOT specification 112/114 tank cars was completed in 1980. This retrofit required the installation of thermal protection, shelf couplers and head shields (or equivalent) for all of the approximately 20,000 112/114 tank cars. In January 1980 FRA issued a final rule requiring that all DOT specification tank cars be retrofitted with double shelf couplers by February 28, 1985. The rule also required that newly-manufactured 105 cars carrying the same hazardous commodities as the 112/114 tank cars have equivalent protection.

Very few releases have been reported from tank cars equipped with shelf couplers and head shields. Although the preliminary results are very encouraging, a longer period of time will be required before a statistically meaningful assessment can be made.

Senator Andrews: Please identify FRA's responsibilities in regard to the transport of hazardous materials by rail. Cite the law governing the delegation of the responsibility to FRA.

Response: FRA's responsibilities are to enforce existing hazardous materials regulations by inspections, conduct hazardous materials research, and assist the Research and Special Programs Administration's Office of Hazardous Materials Regulation in developing regulations.

The law governing the delegations of responsibility is provided by the "Transportation Safety of 1974," Public Law 93-633 93rd Congress, H.R. 15223 January 3, 1975. The specific sections of the law governing the delegation of responsibility to FRA are; Sec. 105(a) Regulations, Sec. 109(a) Research, and Sec. 109(c) Inspection.

Senator Andrews; Please provide for the record a listing of the safety fines imposed by FRA in 1980, including a summary of the violation, the name of the violator, the dollar amount of the fine, and the actions taken by the violator to correct the problem.

Response: FRA has submitted a detailed summary of claims based upon alleged violations of railroad safety statutes and regulations which were settled during fiscal year 1980. The report is approximately 60 pages long.
The information follows:

NOV 2 2 1980

SUMMARY OF CONTENTS

This package contains summaries of claims based upon alleged violations of railroad safety statutes and regulations which were settled during fiscal year 1980. The total settlement figure for fiscal year 1980 is $15,332,776, which represents settlements of $9,651,102 under the FCCA, $4,478,114 under the FRSA, and final assessments and settlements totaling $1,200,560 under the HMTA. The total settlement also includes $3,000 which was collected through the courts.

Of the total collections for FY 1980, $9,457,643 is attributable to settlements, final assessments, and judgments obtained during the nine-month period January through September of 1980. The remainder of the FY 1980 collections were included in the tables for October 1978 through December 1979 and are, therefore, not included again in this package.

The collection of these amounts is intended to have a deterrent effect on future violations, leading to improved safety performance by railroad shippers and carriers. The train accident statistics for 1979 and preliminary 1980 statistics appear to indicate a positive correlation between improved safety performance and the level of civil penalty collections.

Office of the Chief Counsel
Enforcement Division, RCC-40

SUMMARY OF CLAIMS BASED UPON ALLEGED VIOLATIONS OF RAILROAD SAFETY STATUTES SETTLED PURSUANT TO THE FEDERAL CLAIMS COLLECTION ACT DURING THE PERIOD JANUARY, 1980 THROUGH SEPTEMBER 30, 1980

LEGEND

POCA . . . . . Potential Collectable Amount. This is the Amount contained in our original demand letter to Carrier.

PRCA . . . . . Provable Collectable Amount. This is the maximum statutory penalty that could be assessed after the amount for claims terminated is subtracted from the Potential Collectable Amount. This figure reflects the amount FRA could realistically expect to collect if the matter were litigated. It is based upon evidence not available to FRA at the time of the original demand (POCA).

Under the column entitled "No. and Type of Claims", the following code was used:

H/S . . . . . Hours of Service Act (45 U.S.C. 61-64)
S/A . . . . . Safety Appliance Acts (45 U.S.C. 1-16)
L/I . . . . . Locomotive Inspection Act (45 U.S.C. 34)
S/I . . . . . Signal Inspection Act (49 U.S.C. 26)

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	PCCA	PRCA	Settlement	Date	Comments
January 1980								
BAR-80-1	4	H/S		$2,000	$2,000	$2,000	1/31/80	
BS-79-1	2	L/I		2,000	2,000	2,000	1/29/80	
DRGW-79-1	10	S/A		11,500		7,400	1/8/90	
DTSL-78-1	20	H/S	20	10,000	0	0	1/25/80	
FEC-78-3	1	S/I		1,000		700	1/21/80	
LI-78-3	1	S/A		1,000	1,000	1,000	1/24/80	
PPU-78-1	16	S/A		16,000		8,000	1/18/80	
WP-78-4	3	S/A		3,000		2,300	1/17/80	
TOTAL	57	8				$23,400		
February 1980								
DRGW-78-3	4	S/A	1	4,000	3,000	1,650	2/27/80	
DRGW-80-1	2	H/S		1,000		650	2/27/80	
IHB-80-1	8	S/A		8,000		8,000	2/14/80	
KIT-78-1	1	S/A		1,000		250	2/5/80	
MTR-79-1	3	S/A		3,000		1,800	2/4/80	
SOU-79-4	2	H/S	1	1,000	500	300	2/4/80	
TOTAL	20	6				$12,650		

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
March 1980								
AMP-80-1	4	H/S		$2,000	$1,000	$1,000	3/12/80	
CP-78-3	1	S/A		1,000		250	3/12/80	
CP-80-1	17	S/A	16	17,000	1,000	900	3/12/80	
CSS-78-1	3	S/A		3,000		3,000	3/19/80	
EJE-78-2	1	S/A		1,000		1,000	3/28/80	
EJE-80-1	4	S/A		4,000		4,000	3/28/80	
GBW-78-2	1	S/A		1,000		300	3/28/80	
ITC-80-1	3	H/S		1,500		600	3/24/80	
PW-78-1	2	L/I		2,000		2,000	3/31/80	
TOTAL	36	9				$13,050		
April 1980								
ALM-80-1	1	S/A		1,000		1,000	4/16/80	
APN-80-1	4	H/S		2,000		2,000	4/29/80	
CIM-80-1	2	H/S	1	1,000	500	300	4/15/80	
CLC-78-2	6	L/I		6,000		6,000	4/21/80	
DMU-78-2	3	S/A		3,000		1,500	4/30/80	
DMU-78-3	1	L/I		1,000		500	4/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
FEC-78-2	4	S/A		$4,000	$	$3,000	4/23/80	
GBW-78-4	1	S/I	1	1,000	0	0	4/30/80	
LSI-80-1	45	S/A		45,000		13,500	4/14/80	
TPW-78-1	2	S/A	2	2,000	0	0	4/9/80	
WRC-78-1	2	L/I	2	2,000	0	0	4/25/80	
TOTAL	71	11				$27,800		
May 1980								
AA-77-1	12	S/A	12	3,000	0	0	5/29/80	
APRR 9-1	1	L/I		1,000		1,000	5/28/80	
AVL-78-1	1	L/I		1,000		1,000	5/19/80	
IHB-80-3	4	L/I		4,000		4,000	5/19/80	
NOPB-78-1	7	S/A		7,000		4,000	5/2/80	
PPU-80-2	6	S/A	5	6,000	1,000	500	5/15/80	
SOO-78-2	6	S/A		6,000		4,200	5/27/80	
WATC-79-1	1	L/I		1,000		1,000	5/20/80	
TOTAL	38	8				$15,700		

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
June 1980								
ALM-78-1	1	S/A	1	$ 1,000	$ 0	$ 0	6/23/80	
BS-80-1	1	L/I		1,000		1,000	6/20/80	
CIM-80-1	1	S/A		1,000		500	6/30/80	
CN-80-2	9	S/A		9,000		9,000	6/4/80	
CP-78-2	2	L/I		2,000		1,000	6/24/80	
CR-79-1	1	L/I		1,000		1,000	6/4/80	
DMIR-79-1	1	S/A		1,000		1,000	6/24/80	
EJE-80-2	4	H/S		2,000		800	6/13/80	
FEC-79-1	3	S/I		3,000		1,650	6/3/80	
FEC-80-1	13	S/A	1	13,000	12,000	8,400	6/3/80	
FEC-80-2	4	S/A		4,000		2,800	6/3/80	
HBT-78-3	5	S/I		5,000		3,200	6/26/80	
HBT-79-1	8	S/A		8,000		7,000	6/26/80	
HBT-80-1	6	S/A		6,000		4,400	6/26/80	
HBT-80-2	3	L/I		3,000		2,000	6/26/80	
LI-80-2	3	S/A	3	4,500	0	0	6/26/80	
MN-80-1	4	H/S		2,000		2,000	6/23/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
MTR-80-1	1	L/I		$ 1,000	$	$ 500	6/27/80	
NOPB-80-2	1	S/I		1,000		1,000	6/23/80	
PPU-80-1	2	L/I	1	2,000	1,000	500	6/25/80	
SMV-80-1	3	S/A		3,000		750	6/26/80	
TASD-80-1	3	S/A		3,000		3,000	6/4/80	
TOE-80-1	1	L/I		1,000		500	6/5/80	
TRRA-80-2	3	S/I		3,000		2,100	6/25/80	
WATC-80-1	1	L/I		1,000		500	6/2/80	
WP-79-1	14	S/A		17,000		13,500	6/23/80	
TOTAL	98					$ 68,100		

FCCA SETTLEMENTS

se: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
JULY 1980								
APD-78-2	1	LI		$1,000		$1,000	7/16/80	
DRI-79-1	6	SA		6,000		3,900	7/24/80	
IHB-80-2	12	SA		12,000		8,500	7/24/80	
IHB-80-4	4	SA		4,000		4,000	7/1/80	
LI-80-1	3	LI	1	3,000	1,000	1,000	7/18/80	
NPB-78-2	1	SA		1,000		250	7/21/80	
NPB-80-2	1	SA		1,000		800	7/15/80	
PTRA-78-1	4	SA	1	4,000	3,000	2,000	7/2/80	
PTRA-80-1	7	SA		7,000		5,600	7/15/80	
PTRA-80-2	1	LI		1,000		800	7/15/80	
PTRA-80-3	2	SA		2,000		1,200	7/15/80	
TPW-80-2	2	SA	2	2,000	0	0	7/15/80	
WIM-78-2	5	SA		5,000		2,500	7/16/80	
WV-80-1	2	SA		2,000		600	7/24/80	
WV-80-2	1	LI		1,000		400	7/24/80	
TOTAL						$32,550		

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
August 1980								
AS-78-1	18	SA	2	$ 18,000	$ 16,000	$ 10,500	8/5/80	
AS-79-1	51	SA	10	51,000	41,000	26,500	8/5/80	
AS-80-1	17	SA		17,000		11,900	8/5/80	
BLE-80-1	5	SA		5,000		3,500	8/8/80	
BS-78-1	1	SA		1,000		600	8/8/80	
CARR-80-1	2	SA		2,000		1,000	8/7/80	
CS-80-1	2	SA		3,500		2,450	8/20/80	
CS-80-2	9	HS		4,500		2,800	8/20/80	
DTI-78-6	13	LI		13,000	10,000	6,500	8/28/80	
DTI-79-1	12	SA		15,000	14,000	10,500	8/28/80	
DTI-80-2	11	SA		11,000	10,000	6,500	8/28/80	
DTI-80-3	9	LI		9,000	4,000	2,350	8/28/80	
DTI-80-5	2	LI		2,000	1,000	1,000	8/28/80	
FEC-80-3	8	SA		8,000		6,000	8/26/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
FWD-78-1	4	SA		$ 4,000	$	$ 2,000	8/20/80	
FWD-79-1	4	SA		5,500		3,850	8/20/80	
FWD-80-1	14	SA		14,000		10,900	8/20/80	
FWD-80-2	4	HS		2,000		1,000	8/20/80	
HBT-80-3	26	SA		26,000		26,000	8/18/80	
MKT-79-1	17	SA	1	17,000	16,000	9,440	8/12/80	
LT-78-3	6	SA		6,000	5,000	3,000	8/8/80	
NOPB-80-1	3	SA		3,000		1,300	8/26/80	
NSS-78-2	3	SA		3,000		1,500	8/8/80	
PBR-79-1	1	SA	1	1,000	0	0	8/6/80	
RFP-79-1	3	LI		3,000		2,250	8/12/80	
RFP-80-1	4	SA		4,000		3,600	8/1/80	
RFP-80-2	1	LI		1,000		750	8/12/80	
RFP-80-3	4	LI		4,000		3,150	8/12/80	
RFP-80-4	4	HS		2,000		1,800	8/1/80	
SM-80-1	4	SA		4,000		4,000	8/5/80	
TRC-80-1	6	SA		6,000		6,000	8/18/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
TMBL-78-2	6	SA		$ 6,000	$ 3,000	$ 750	8/18/80	
TMBL-80-1	1	SA	1	1,000	0	0	8/18/80	
URR-79-1	1	LI		1,000		500	8/8/80	
URR-80-1	1	SA		1,000		700	8/8/80	
URR-80-2	6	SA		6,000		4,200	8/8/80	
WP-78-5	5	SA		6,500		5,000	8/6/80	
WP-80-1	5	LI		5,000		3,000	8/6/80	
WP-80-2	1	SA		1,000		1,000	8/6/80	
WP-80-3	1	SI		1,000		500	8/6/80	
TOTAL	280					$ 188,290		

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
September 1980								
AGS-78-4	2	LI		$ 2,000	$	$ 1,300	9/30/80	
ATK-78-6	5	SA		5,000		3,000	9/26/80	
ATK-78-7	2	HS		1,000		650	9/26/80	
ATK-79-1	25	LI	14	25,000	11,000	9,000	9/26/80	
ATK-79-2	6	SI		6,000		3,600	9/26/80	
ATK-79-3	25	HS	23	12,500	1,000	600	9/26/80	
ATK-80-1	4	HS	1	2,000	1,500	900	9/26/80	
ATK-80-2	9	SA		9,000		5,400	9/26/80	
ATK-80-3	9	LI		9,000		5,700	9/26/80	
ATK-80-4	1	HS		500		350	9/26/80	
ATK-80-5	1	LI		1,000		650	9/26/80	
ATK-80-6	1	SA		1,000		450	9/26/80	
ATSF-77-2	15	HS	8	7,500	3,500	1,150	9/30/80	
ATSF-77-7	9	HS	1	4,500	4,000	2,375	9/30/80	
ATSF-78-1	8	HS		4,000		3,000	9/30/80	
ATSF-78-2	3	HS		1,500		1,000	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
ATSF-78-4	21	SA	1	$22,500	$21,500	$14,400	9/30/80	
ATSF-78-5	3	LI	1	3,000	2,000	1,500	9/30/80	
ATSF-78-6	6	HS		3,000		2,000	9/30/80	
ATSF-78-7	8	HS		4,000		2,500	9/30/80	
ATSF-78-10	11	SI		11,000		6,600	9/30/80	
ATSF-78-12	1	SI		1,000		400	9/30/80	
ATSF-78-13	14	SA		14,000		8,550	9/30/80	
ATSF-79-2	34	SA		34,000		23,500	9/30/80	
ATSF-79-3	18	HS	5	9,000	6,500	4,475	9/30/80	
ATSF-80-1	26	SA		26,000		16,000	9/30/80	
ATSF-80-2	16	HS	8	8,000	4,000	2,500	9/30/80	
ATSF-80-3	2	HS	2	1,000	0	0	9/30/80	
ATSF-80-4	5	SI	1	5,000	4,000	2,900	9/30/80	
ATSF-80-5	4	LI	1	4,000	3,000	1,500	9/30/80	
ATSF-80-6	4	SA		4,000		1,750	9/30/80	
ATSF-80-7	2	SA		2,000		1,000	9/30/80	
ATSF-80-8	13	SA		13,000		7,700	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FICA	Settlement	Date	Comments
BEDT-80-1	7	HS	7	$ 3,500	$ 0	$ 0	9/30/80	
BM-78-3	50	LI	50	12,500	0	0	9/30/80	
BM-78-6	1	SA	1	250	0	0	9/30/80	
BM-78-6	3	LI		3,000		2,160	9/30/80	
BM-78-7	2	HS		1,000		640	9/30/80	
BM-78-8	1	LI		1,000		720	9/30/80	
BM-78-9	49	SA		50,500		37,869	9/30/80	
BM-79-2	9	LI	1	9,000	8,000	5,760	9/30/80	
BM-79-3	15	SA	5	15,000	10,000	7,499	9/30/80	
BM-79-4	26	SA	2	27,500	25,500	19,122	9/30/80	
BM-80-1	9	SA		9,000		6,750	9/30/80	
BM-80-2	12	SA	2	12,000	10,000	7,499	9/30/80	
BM-80-3	18	LI	3	18,000	15,000	10,800	9/30/80	
BM-80-4	8	HS		4,000		2,560	9/30/80	
BM-80-5	21	SI	21	21,000	0	0	9/30/80	
BM-80-6	1	SA	1	1,000	0	0	9/30/80	
BM-80-8	16	SA		17,500		13,123	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
BM-80-9	1	LI		$ 1,000	$	$ 720	9/30/80	
BM-80-10	4	HS		2,000		1,280	9/30/80	
BM-80-11	4	HS		2,000		1,280	9/30/80	
BM-80-12	2	LI		2,000		1,440	9/30/80	
BN-78-8	2	LI		2,000		1,235	9/30/80	
BN-78-12	8	SI	4	8,000	4,000	2,560	9/30/80	
BN-78-15	27	SA	2	27,000	25,000	15,675	9/30/80	
BN-79-1	38	LI	12	38,000	26,000	15,973	9/30/80	
BN-79-2	62	SA	8	72,500	63,000	39,508	9/30/80	
BN-79-3	44	HS	8	22,000	18,000	10,940	9/30/80	
BN-79-4	33	HS		16,500		10,030	9/30/80	
BN-79-5	74	SA	6	85,000	77,500	47,275	9/30/80	
BN-79-8	27	HS		13,500		8,200	9/30/80	
BN-79-9	22	SA	4	22,000	18,000	11,286	9/30/80	
BN-80-1	40	HS	4	20,000	18,000	10,940	9/30/80	
BN-80-2	47	SA	3	50,000	45,500	28,528	9/30/80	
BN-80-3	21	SA	8	21,000	13,000	7,540	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
BN-80-5	27	HS	4	$13,500	$11,500	$ 6,990	9/30/80	
BN-80-6	8	HS	4	4,000	2,000	1,215	9/30/80	
BN-80-7	1	SA	1	1,000	0	0	9/30/80	
BN-80-8	22	SA	1	23,500	22,500	14,107	9/30/80	
BN-80-9	6	LI		6,000		3,690	9/30/80	
BN-80-10	18	HS	4	9,000	7,000	4,255	9/30/80	
BN-80-11	7	HS		3,500		2,130	9/30/80	
BN-80-11a	1	HS		500		300	9/30/80	
BN-80-11b	1	SI		1,000		500	9/30/80	
BN-80-13	19	SA		22,000		13,794	9/30/80	
BN-80-14	15	HS		7,500		4,560	9/30/80	
BN-80-15	9	HS	1	4,500	4,000	2,440	9/30/80	
BN-80-16	6	LI		6,000		3,695	9/30/80	
BN-80-17	1	SA		1,000		627	9/30/80	
BO-78-10	5	LI		5,000		3,000	9/30/80	
BO-78-12	2	SI		2,000		1,000	9/30/80	
BO-78-17	26	SA	2	30,500	28,500	16,815	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
BO-79-7	16	LI	1	$16,000	$15,000	$10,500	9/30/80	
BO-79-8	11	SI		24,500		14,700	9/30/80	
BO-79-10	22	SA		22,000		12,980	9/30/80	
BO-80-1	16	HS		8,000		2,225	9/30/80	
BO-80-2	66	SA		66,000		38,940	9/30/80	
BO-80-3	9	LI	3	9,000	6,000	4,200	9/30/80	
BO-80-4	15	SA		15,000		8,850	9/30/80	
BO-80-5	8	HS		4,000		2,000	9/30/80	
BO-80-6	6	HS		3,000		2,100	9/30/80	
BO-80-7	9	LI		9,000		5,400	9/30/80	
BO-80-8	43	SA		49,000		28,910	9/30/80	
BO-80-9	35	HS		17,500		8,550	9/30/80	
BO-80-10	6	SA		6,000		3,540	9/30/80	
BO-80-11	17	SA		17,000		10,000	9/30/80	
BO-80-12	4	HS		2,000		1,600	9/30/80	
BO-80-13	7	SA		7,000		4,130	9/30/80	
BOCT-78-2	5	SA	5	5,000	0	0	9/30/80	

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	PCCA	PRCA	Settlement	Date	Comments
BOCT-79-1	10	SA		$10,000	$	$ 5,900	9/30/80	
BOCT-80-1	10	HS		5,000		2,000	9/30/80	
BOCT-80-2	6	SA		6,000		3,540	9/30/80	
BRC-80-1	4	SA		4,000		2,000	9/18/80	
BRC-80-2	6	LI		6,000		3,000	9/18/80	
BRC-80-3	5	LI		5,000		2,500	9/18/80	
CGA-78-3	1	LI		1,000		650	9/30/80	
CGA-78-5	1	SA	1	1,000	0	0	9/30/80	
CGA-79-3	11	SA		11,000		7,290	9/30/80	
CGA-80-1	1	LI		1,000		750	9/30/80	
CGA-80-2	1	LI		1,000		800	9/30/80	
CNTP-78-5	3	LI	2	3,000	1,000	700	9/30/80	
CNW-78-10	2	LI		2,000		1,300	9/30/80	
CNW-78-14	22	LI		38,000		24,750	9/30/80	
CNW-79-1	10	SI	4	19,000	15,000	9,400	9/30/80	
CNW-79-3	159	SA		172,500	156,500	112,000	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
CNW-79-4	47	HS		$23,500		$14,000	9/30/80	
CNW-79-5	28	SA		31,000		21,500	9/30/80	
CNW-80-1	124	SA	6	124,000	118,000	70,000	9/30/80	
CNW-80-2	23	LI		27,500		17,900	9/30/80	
CNW-80-3	81	SA		85,500		50,000	9/30/80	
CNW-80-4	48	HS		24,000		14,400	9/30/80	
CNW-80-5	4	HS		2,000		1,400	9/30/80	
CNW-80-6	19	SA		19,000		12,500	9/30/80	
CNW-80-7	1	LI		1,000		650	9/30/80	
CNW-80-8	9	LI		9,000		5,800	9/30/80	
CNW-80-9	8	SA		8,000		5,400	9/30/80	
CNW-80-10	5	HS		2,500		1,400	9/30/80	
CNW-80-11	46	SA	3	47,500	44,500	32,000	9/30/80	
CNW-80-12	10	SI	6	10,000	4,000	2,600	9/30/80	
CNW-80-13	7	SA		8,500		5,800	9/30/80	
CNW-80-14	17	SI	3	17,000	14,000	9,000	9/30/80	
CNW-80-15	4	HS		2,000		1,200	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
CNW-80-16	4	LI		$ 4,000	$	$ 2,600	9/30/80	
CO-78-12	31	SA	9	37,000	28,000	16,250	9/30/80	
CO-78-16	16	SA	5	16,000	11,000	6,490	9/30/80	
CO-78-18	8	SI	1	9,500	8,500	7,000	9/30/80	
CO-79-4	55	SA	12	55,000	43,000	25,370	9/30/80	
CO-79-5	48	SA	7	48,000	41,000	24,190	9/30/80	
CO-79-8	53	LI	6	53,000	47,000	30,700	9/30/80	
CO-79-9	20	SI	5	20,000	15,000	10,000	9/30/80	
CO-79-10	189	SA		190,500		112,395	9/30/80	
CO-79-12	15	SA		15,000		8,850	9/30/80	
CO-79-13	31	SA		31,000		18,290	9/30/80	
CO-80-1	54	SA		55,000		32,450	9/30/80	
CO-80-2	18	LI		18,000		12,600	9/30/80	
CO-80-3	29	SA		29,000		17,110	9/30/80	
CO-80-4	40	HS	6	20,000	17,000	8,000	9/30/80	
CO-80-5	75	SA		76,500		45,135	9/30/80	
CO-80-6	13	LI	2	14,000	12,000	8,200	9/30/80	

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FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
CO-80-8	15	SI		$15,000	$	$ 7,500	9/30/80	
CO-80-9	43	SA		43,000		25,370	9/30/80	
CO-80-10	39	SA		40,500		23,895	9/30/80	
CO-80-11	63	SA		66,000		38,940	9/30/80	
CO-80-12	51	SA		52,500		30,975	9/30/80	
CO-80-13	35	SA		36,500		21,535	9/30/80	
CO-80-14	1	LI		1,000		700	9/30/80	
CO-80-15	44	SA		44,000		25,960	9/30/80	
CO-80-16	50	SA		50,000		29,500	9/30/80	
CRC-78-19	40	SA	12	41,500	29,500	19,913	9/30/80	
CRC-78-28	27	SA	10	27,000	17,000	11,475	9/30/80	
CRC-78-40	37	SA	12	40,000	28,000	18,462	9/30/80	
CRC-79-1	57	SA	20	57,000	37,000	24,975	9/30/80	
CRC-79-3	93	LI	8	95,000	87,000	47,950	9/30/80	
CRC-79-9	125	SI	7	125,000	44,500	26,700	9/30/80	
CRC-79-10	41	SA	21	41,000	20,000	13,500	9/30/80	
CRC-79-11	48	SA	13	48,000	35,000	23,625	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
CRC-79-12	65	SA	11	$65,000	$54,000	$36,450	9/30/80	
CRC-79-13	56	SA	18	59,000	41,000	27,675	9/30/80	
CRC-79-16	87	LI	10	87,000	77,000	42,450	9/30/80	
CRC-79-20	148	SA	4	149,500	145,500	98,213	9/30/80	
CRC-79-21	27	SI	5	27,000	22,000	12,950	9/30/80	
CRC-79-22	49	SA	5	49,000	44,000	29,700	9/30/80	
CRC-79-23	90	SA	8	93,000	82,000	55,350	9/30/80	
CRC-79-24	73	SA	4	76,000	72,000	48,600	9/30/80	
CRC-80-1	40	HS		20,000		14,890	9/30/80	
CRC-80-2	93	SA	2	92,250	90,250	60,919	9/30/80	
CRC-80-3	79	SA	5	79,000	74,000	49,950	9/30/80	
CRC-80-3a	32	LI	1	32,000	31,000	17,075	9/30/80	
CRC-80-4	44	HS	4	22,000	20,000	13,400	9/30/80	
CRC-80-5	50	HS	12	25,000	19,000	12,390	9/30/80	
CRC-80-6	5	HS	1	2,500	2,000	1,340	9/30/80	
CRC-80-7	12	HS	7	6,000	2,500	1,675	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
CRC-80-7	47	SA	4	$50,000	$46,000	$31,050	9/30/80	
CRC-80-9	72	SA	3	79,500	76,500	51,462	9/30/80	
CRC-80-10	76	SA		80,500		40,250	9/30/80	
CRC-80-11	79	SA	1	79,000	78,000	52,650	9/30/80	
CRC-80-12	30	HS		15,000		10,050	9/30/80	
CRC-80-13	27	HS		13,500		10,125	9/30/80	
CRC-80-14	36	LI	3	36,000	33,000	18,185	9/30/80	
CRC-80-14a	35	SI		35,000		19,250	9/30/80	
CRC-80-15	57	SA	3	60,000	57,000	38,475	9/30/80	
CRC-80-16	28	LI		28,000		15,441	9/30/80	
CRC-80-17	13	HS	1	6,500	6,000	3,990	9/30/80	
CRC-80-18	53	SA	1	54,500	53,500	36,113	9/30/80	
CRC-80-19	11	LI		11,000		5,845	9/30/80	
CRC-80-20	21	HS		10,500		5,250	9/30/80	
CRC-80-21	4	HS		2,000		1,340	9/30/80	
CRC-80-22	47	SA	6	50,500	44,500	29,862	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FCCA	PRCA	Settlement	Date	Comments
CRC-80-23	57	SA	4	$60,000	$56,000	$37,800	9/30/80	
CRC-80-24	23	SA		24,500		16,537	9/30/80	
CRC-80-26	8	HS		4,000		2,680	9/30/80	
CRC-80-27	12	HS		6,000		3,680	9/30/80	
CRR-78-3	2	SA		2,000		1,250	9/29/80	
CRR-78-4	7	SI		7,000		4,500	9/29/80	
CRR-79-1	66	LI	66	66,000	0	0	9/29/80	Revised LI
CRR-79-2	65	LI	65	65,000	0	0	9/29/80	Revised LI
CRR-80-2	1	SA		2,500		1,750	9/29/80	
CRR-80-3	6	SI		6,000		3,600	9/29/80	
CV-79-2	15	SA	1	18,000	17,000	9,000	9/30/80	
DH-78-3	60	SA	3	63,000	57,000	44,300	9/30/80	
DH-78-4	16	LI	7	4,000	2,250	1,745	9/30/80	
DH-78-6	21	LI	7	5,250	3,500	2,850	9/30/80	
DH-78-7	14	LI	4	14,000	10,000	6,500	9/30/80	
DH-78-8	36	LI	4	36,000	32,000	24,870	9/30/80	
DH-78-8a	5	LI	3	5,000	2,000	1,000	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
DH-78-9	4	HS		$ 2,000	$	$ 1,000	9/30/80	
DH-78-10	6	HS	1	7,500	6,500	4,000	9/30/80	
DH-78-11	30	SA	1	31,500	30,500	15,000	9/30/80	
DH-79-1	29	SA	6	30,500	24,500	16,000	9/30/80	
DH-79-2	7	LI		7,000		5,440	9/30/80	
DH-80-1	19	SA	1	19,000	18,000	10,000	9/30/80	
DH-80-2	8	LI	2	8,000	6,000	3,500	9/30/80	
DH-80-3	4	LI	1	4,000	3,000	1,750	9/30/80	
DH-80-4	1	LI		1,000		750	9/30/80	
DH-80-5	1	LI		1,000		600	9/30/80	
DH-80-6	6	SA		7,500		4,370	9/30/80	
DTSL-78-2	8	SA	8	8,000	0	0	9/30/80	
DTSL-79-2	6	SA	2	6,000	4,000	2,000	9/30/80	
DTSL-80-3	2	SA		2,000		850	9/30/80	
DWP-78-2	12	SA		12,000		6,750	9/30/80	
DWP-78-4	1	SI		1,000		250	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
DWP-80-1	9	SA		$ 9,000	$	$ 6,000	9/30/80	
GHH-78-2	9	SA	1	9,000	8,000	5,200	9/30/80	
GHH-80-1	11	SA	2	11,000	9,000	5,500	9/30/80	
GNWR-78-1	17	SA		17,000		7,250	9/30/80	
GTW-78-3	7	SA	1	10,000	5,250	3,000	9/30/80	
GTW-80-1	14	SA	1	14,000	13,000	7,500	9/30/80	
GTW-80-2	11	HS	3	5,500	4,000	2,000	9/30/80	
GTW-80-3	11	LI		11,000		6,500	9/30/80	
GTW-80-4	4	LI		4,000		2,100	9/30/80	
GTW-80-5	3	SA	1	3,000	2,000	1,500	9/30/80	
GTW-80-8	9	HS	5	4,500	2,000	1,400	9/30/80	
GTW-80-9	1	SA		1,000		517	9/30/80	
ICG-78-5	12	SA		12,000		7,925	9/30/80	
ICG-78-7	29	SA		33,500		22,120	9/30/80	
ICG-78-11	38	SA		38,000		25,095	9/30/80	
ICG-79-1	81	SA	4	81,000	77,000	50,845	9/30/80	
ICG-79-2	26	SI		26,000		15,810	9/30/80	
ICG-79-3	20	SA	1	20,000	19,000	12,546	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
ICG-79-4	7	LI		$ 7,000	$	$ 4,200	9/30/80	
ICG-80-1	47	SA		51,500		34,008	9/30/80	
ICG-80-2	33	SA		34,500		22,780	9/30/80	
ICG-80-3	12	LI		13,000		7,800	9/30/80	
ICG-80-4	2	SA		2,000		1,321	9/30/80	
ICG-80-6	110	SI	62	110,000	48,000	29,190	9/30/80	
ITC-79-2	2	SI		2,000		1,000	9/16/80	
ITC-79-3	16	SA	2	21,000	18,000	10,000	9/16/80	
ITC-80-1	6	SA		6,000		4,000	9/16/80	
ITC-80-2	7	SA		7,000		4,000	9/16/80	
ITC-80-3	3	LI		3,000		2,100	9/16/80	
ITC-80-3a	12	SA		12,000		6,600	9/16/80	
KCS-78-4	13	SA	7	13,000	6,000	4,200	9/25/80	
KCS-79-1	4	HS		2,000		1,200	9/25/80	
KCS-79-1a	27	SA		30,000		21,000	9/25/80	
KCS-79-2	10	SA		10,000		7,000	9/25/80	
KCS-79-3	13	SI		13,000		8,450	9/25/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
KCS-80-1	4	HS		$ 2,000	$	$ 1,000	9/25/80	
KCS-80-2	46	SA	1	49,000	48,000	33,600	9/25/80	
KCS-80-3	6	LI	1	6,000	5,000	3,500	9/25/80	
LA-78-2	21	SA	9	24,000	12,000	8,100	9/25/80	
LA-78-3	6	SA		6,000		4,200	9/25/80	
LA-79-1	49	SA	3	51,000	48,000	27,000	9/25/80	
LA-79-2	50	SA		51,500		33,150	9/25/80	
LA-80-1	5	HS		2,500		1,250	9/25/80	
LA-80-2	1	LI		1,000		500	9/25/80	
LN-80-2	6	HS	1	3,000	2,000	1,300	9/19/80	
LN-80-6	30	HS	4	15,000	13,000	9,750	9/19/80	
LN-80-10	5	HS		2,500		1,500	9/19/80	
LPSG-79-1	5	LI		5,000		3,500	9/30/80	
MGA-79-1	6	SA	2	6,000	4,000	2,800	9/5/80	
MGA-80-1	4	SA		4,000		2,800	9/5/80	
MGA-80-2	1	SA		1,000		600	9/5/80	
MGA-80-3	1	SA		1,000		700	9/4/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
MGA-80-4	3	SA		$ 3,000	$	$ 1,800	9/5/80	
MILW-78-2 *	32	SA		32,000		15,433	9/10/80	
MILW-78-4 *	15	SA		15,000		6,808	9/10/80	
MILW-78-6 *	6	LI		6,000		2,723	9/10/80	
MILW-78-8 *	5	SA		5,000		2,270	9/10/80	
MILW-78-11 *	28	SA		32,500		14,752	9/10/80	
MILW-78-12 *	3	HS		1,500		680	9/10/80	
MILW-78-13 *	7	HS		3,500		1,400	9/10/80	
MILW-78-14 *	28	SA		28,000		12,709	9/10/80	
MILW-78-15 *	8	LI		8,000		3,631	9/10/80	
MILW-79-1 *	115	SA		116,500		52,880	9/10/80	
MILW-79-2	2	SA	2	2,000	0	0	9/10/80	Not on proof of claim
MILW-79-4 *	14	HS		7,000		2,800	9/10/80	
MILW-80-1 *	20	SA		21,500		9,759	9/10/80	
MILW-80-2 *	19	LI		19,000		8,624	9/10/80	
MILW-80-3 *	5	HS		2,500		2,500	9/10/80	
MILW-80-4 *	12	SI		12,000		7,000	9/10/80	

*Liquidated cost of administration subject to later reorganization court order concerning time of payment.

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
MILW-80-5 *	49	SA		$49,000	$	$26,549	9/10/80	
MILW-80-6 *	4	HS		2,000		800	9/10/80	
MKCS-79-1	23	SA	1	23,000	22,000	15,400	9/25/80	
MKT-78-3	10	SA	2	11,500	9,500	5,880	9/30/80	
MKT-78-6	16	SA	1	16,000	15,000	8,470	9/30/80	
MKT-80-2	18	SI	9	18,000	9,000	5,500	9/30/80	
MKT-80-3	9	SA		9,000		5,610	9/30/80	
MKT-80-4	5	SI		5,000		3,625	9/30/80	
MKT-80-5	10	SA	3	10,000	7,000	4,340	9/30/80	
MP-78-10	16	HS		8,000		4,700	9/30/80	
MP-78-11	6	LI		6,000		3,800	9/30/80	
MP-78-12	2	HS	1	1,000	500	400	9/30/80	
MP-78-15	28	SA	3	28,000	25,000	17,500	9/30/80	
MP-78-16	4	SI		4,000		2,400	9/30/80	
MP-79-1	36	SA		36,000		25,000	9/30/80	
MP-79-10	23	HS		11,500		6,600	9/30/80	
MP-79-11	41	SA		50,500		33,500	9/30/80	
MP-79-14	51	SA	2	52,500	50,500	32,500	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	PRCA	Settlement	Date	Comments
MP-79-15	9	LI		$ 9,000	$	$ 5,750	9/30/80	
MP-79-16	11	HS	3	5,500	4,000	2,800	9/30/80	
MP-79-17	23	HS	1	11,500	11,000	7,000	9/30/80	
MP-80-1	143	SA	1	146,000	145,000	79,000	9/30/80	
MP-80-2	61	SA	1	65,500	64,500	35,000	9/30/80	
MP-80-3	29	HS		14,500		8,500	9/30/80	
MP-80-4	11	HS		5,500		3,700	9/30/80	
MP-80-6	80	SA	2	83,000	81,000	54,000	9/30/80	
MP-80-7	13	LI	4	13,000	9,000	5,700	9/30/80	
MP-80-8	16	HS		8,000		4,900	9/30/80	
MP-80-9	2	HS		1,000		700	9/30/80	
MP-80-10	2	LI		2,000		1,350	9/30/80	
MP-80-11	1	SI		1,000		700	9/30/80	
MP-80-13	26	SI		27,500		16,500	9/30/80	
MP-80-14	30	HS		15,000		8,700	9/30/80	
MP-80-15	8	SA		9,500		6,600	9/30/80	
MP-80-16	8	SI		8,000		5,400	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
MP-80-17	24	SA		$24,000	$	$16,200	9/30/80	
NFD-78-4	1	SI		1,000		500	9/30/80	
NFD-79-1	13	SA	2	13,000	11,000	6,700	9/30/80	
NFD-79-2	11	SA	1	11,000	10,000	6,200	9/30/80	
NFD-80-1	1	LI		1,000		500	9/30/80	
NFG-79-1	16	SA	4	16,000	12,000	7,200	9/30/80	
NFG-80-1	1	LI		1,000		700	9/30/80	
NOLC-80-1	2	SA		2,000		1,400	9/30/80	
NOT-78-3	3	SA	2	3,000	1,000	600	9/30/80	
NOT-80-1	2	SA		2,000		1,200	9/30/80	
NS-79-1	6	SA		6,000		3,870	9/30/80	
NS-80-1	1	LI		2,000		1,400	9/30/80	
NW-78-8	20	SA	3	24,500	21,500	13,300	9/30/80	
NW-78-10	8	LI		8,000		5,000	9/30/80	
NW-78-20	1	LI	1	1,000	0	0	9/30/80	
NW-78-22	32	SA		36,500		22,700	9/30/80	
NW-79-1	26	SA	6	29,000	23,000	14,000	9/30/80	

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
NW-79-2	14	SI	2	$17,000	$15,000	$ 9,000	9/30/80	
NW-79-3	57	HS	14	28,500	21,500	11,700	9/30/80	
NW-79-8	35	LI	9	35,000	26,000	15,500	9/30/80	
NW-79-13	87	SA	1	89,500	88,500	57,700	9/30/80	
NW-79-14	37	SA	8	38,500	30,500	19,500	9/30/80	
NW-79-17	103	SA	2	107,500	105,500	66,800	9/30/80	
NW-79-18	44	HS	21	22,000	11,500	6,400	9/30/80	
NW-80-1	105	HS	47	52,500	29,000	16,300	9/30/80	
NW-80-2	41	SA		41,000		26,500	9/30/80	
NW-80-4	34	SA		34,000		22,000	9/30/80	
NW-80-5	57	HS		28,500		50,000	9/30/80	
NW-80-6a	442	HS		221,000			9/30/80	Settlement Package
NW-80-6b	198	HS		99,000			9/30/80	
NW-80-6c	644	HS		322,000			9/30/80	
NW-80-7	1,935	HS		967,500			9/30/80	
NW-80-8	69	HS	14	34,500	27,500	15,000	9/30/80	
NW-80-9	6	HS	1	3,000	2,500	1,400	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FMCA	Settlement	Date	Comments
NW-80-10	17	HS	3	$ 8,500	$ 7,000	$ 3,800	9/30/80	
NW-80-11	12	LI		12,000		7,500	9/30/80	
NW-80-20	1	SI		1,000		600	9/30/80	
NW-80-22	11	HSR		5,500			9/30/80	Part of NW-80-S Settlement
NW-80-25	3	LI	1	3,000	2,000	1,200	9/30/80	
NW-80-26	2	HS		1,000		600	9/30/80	
PTRA-80-4	4	SA		4,000		4,000	9/22/80	
SCL-78-6	21	LI	12	21,000	9,000	7,200	9/30/80	
SCL-78-12	31	SA	1	31,000	30,000	19,550	9/30/80	
SCL-79-1	61	SA	10	62,500	52,500	33,450	9/30/80	
SCL-79-3	13	HS		6,500		1,300	9/30/80	
SCL-79-4	34	SA	1	34,000	33,000	20,250	9/30/80	
SCL-79-5	25	LI	11	25,000	14,000	8,800	9/30/80	
SCL-79-6	19	SA		22,000		14,050	9/30/80	
SCL-79-7	12	SI	2	12,000	10,000	6,600	9/30/80	
SCL-79-8	16	HS		8,000		1,600	9/30/80	
SCL-79-9	31	SA	1	31,000	30,000	18,800	9/30/80	
SCL-80-1	22	SA		22,000		14,300	9/30/80	

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	PCCA	PRCA	Settlement	Date	Comments
SCL-80-2	10	LI		$10,000	$	$ 7,000	9/30/80	
SCL-80-3	23	SA		23,000		14,950	9/30/80	
SCL-80-4	12	HS		6,000		3,000	9/30/80	
SCL-80-5	6	SI		6,000		3,800	9/30/80	
SCL-80-6	4	SA		4,000		2,600	9/30/80	
SDAE-80-1	3	SA	1	3,000	2,000	1,340	9/30/80	
SIRC-79-1	1	SA		1,000		590	9/30/80	
SJRT-78-4	13	SA		13,000		7,180	9/30/80	
SJRT-79-1	19	SA		19,000		12,245	9/30/80	
SJRT-80-1	2	SA		2,000		1,325	9/30/80	
SJRT-80-2	4	SA		4,000		2,760	9/30/80	
SLSF-78-8	15	SA	3	18,000	12,000	11,000	9/30/80	
SLSF-78-11	1	LI		1,000		750	9/30/80	
SLSF-79-1	17	SA		20,000		11,000	9/30/80	
SLSF-80-1	7	SA		7,000		4,500	9/30/80	
SLSF-80-2	6	HS	3	3,000	1,500	850	9/30/80	
SLSF-80-3	4	HS		2,000		1,400	9/30/80	

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FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
SLSF-80-4	18	SA		$18,000	$	$12,000	9/30/80	
SLSF-80-6	2	SI	1	2,000	1,000	800	9/30/80	
SOU-78-10	16	SA	2	16,000	14,000	7,725	9/30/80	
SOU-79-2	7	LI		7,000		4,700	9/30/80	
SOU-80-1	12	SA		12,000		7,955	9/30/80	
SOU-80-2	2	LI		2,000		1,500	9/30/80	
SOU-80-3	4	HS	2	2,000	1,000	400	9/30/80	
SOU-80-4	1	LI		1,000		750	9/30/80	
SOU-80-5a	18	SA		18,000		12,425	9/30/80	
SOU-80-6	11	SA		11,000		7,595	9/30/80	
SOU-80-7	3	SA		3,000		2,070	9/30/80	
SOU-80-8	1	LI		1,000		750	9/30/80	
SP-78-10	27	HS	1	13,500	13,000	7,900	9/30/80	
SP-78-14	8	HS		4,000		2,665	9/30/80	
SP-80-16	4	HS		2,000		1,380	9/30/80	
SP-78-17	10	HS	5	5,000	2,500	1,875	9/30/80	
SP-78-19	8	HS		4,000		2,915	9/30/80	

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
SP-78-20	7	HS	6	$ 3,500	$ 500	$ 250	9/30/80	
SP-78-21	17	HS	2	8,500	7,500	3,750	9/30/80	
SP-78-22	44	SA	8	47,500	37,500	25,125	9/30/80	
SP-78-24	16	SA	2	16,000	14,000	9,380	9/30/80	
SP-78-26	16	SA	1	17,500	16,500	11,055	9/30/80	
SP-78-28	35	SA	8	35,000	27,000	16,900	9/30/80	
SP-79-1	50	HS	8	25,000	21,000	13,350	9/30/80	
SP-79-5	26	HS	9	13,000	8,500	5,320	9/30/80	
SP-79-6	96	SA	13	96,000	83,000	55,440	9/30/80	
SP-79-7	23	SA		28,000		18,760	9/30/80	
SP-79-8	69	HS	2	34,500	33,500	24,000	9/30/80	
SP-79-10	64	SA	5	64,000	59,000	39,530	9/30/80	
SP-79-11	11	LI		12,500		7,200	9/30/80	
SP-80-1	22	SA	2	22,000	20,000	13,400	9/30/80	
SP-80-2	14	HS		7,000		4,830	9/30/80	
SP-80-3	2	HS		1,000		500	9/30/80	
SP-80-4	4	HS		2,000		1,000	9/30/80	

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
SP-80-5	15	SA	4	$16,500	$11,000	$ 7,370	9/30/80	
SP-80-6	7	HS		3,500		2,520	9/30/80	
SP-80-7	6	SA	2	6,000	4,000	2,680	9/30/80	
SP-80-8	4	HS		2,000		1,380	9/30/80	
SP-80-9	2	LI		2,000		1,300	9/30/80	
SP-80-10	11	SA		11,000		7,370	9/30/80	
SP-80-11	1	SI		1,000		500	9/30/80	
SP-80-12	2	SA	1	2,000	1,000	670	9/30/80	
SP-80-13	14	HS	2	7,000	6,000	4,140	9/30/80	
SP-80-14	6	SA		6,000		4,020	9/30/80	
SP-80-15	5	HS		2,500		1,690	9/30/80	
SP-80-18	19	LI		19,000		10,450	9/30/80	
SP-80-19	1	LI		1,000		650	9/30/80	
SSW-78-3	14	SA	8	14,000	6,000	4,020	9/30/80	
SSW-79-1	30	SA	5	31,500	26,500	17,755	9/30/80	
SSW-79-2	18	SA	4	18,000	14,000	9,380	9/30/80	
SSW-80-1	22	SA	1	22,000	21,000	14,070	9/30/80	

PCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	PCCA	PRCA	Settlement	Date	Comments
SSW-80-2	34	SA		$34,000	$	$22,780	9/30/80	
SSW-80-3	7	HS		3,500		1,875	9/30/80	
SSW-80-4	8	SA		8,000		5,360	9/30/80	
SSW-80-5	2	SI	1	2,000	1,000	500	9/30/80	
SSW-80-6	18	SA		18,000		12,060	9/30/80	
SSW-80-7	6	HS		3,000		1,500	9/30/80	
TM-80-1	4	SA		4,000		4,000	9/30/80	
TPMP-78-3	25	SA	3	25,000	22,000	14,300	9/30/80	
TPMP-80-1	1	SA		1,000		600	9/30/80	
TRRA-78-2	73	SA	27	73,000	46,000	29,200	9/25/80	
TRRA-78-4	5	SA	5	1,250	0	0	9/25/80	
TRRA-78-7	4	SA		4,000		2,600	9/25/80	
TRRA-79-1	28	SA		28,000		18,200	9/25/80	
TT-80-1	1	SA		1,000		500	9/30/80	
TT-80-2	3	LI		3,000		1,800	9/30/80	
UB-79-1	1	HS		500		200	9/30/80	
UB-80-1	8	LI		8,000		5,600	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
UB-80-2	1	LI		$ 1,000	$	$ 700	9/30/80	
UP-78-16	14	SA		17,000		11,050	9/30/80	
UP-78-18	19	SA		20,500		13,325	9/30/80	
UP-78-19	34	SI	1	40,000	39,000	24,402	9/30/80	
UP-79-6	37	LI		37,000		22,940	9/30/80	
UP-79-7	133	HS		66,500		41,895	9/30/80	
UP-79-8	8	SI		12,500		7,875	9/30/80	
UP-79-9	59	SA		61,500		39,975	9/30/80	
UP-80-1	46	SA		49,500		32,175	9/30/80	
UP-80-2	11	HS		5,500		3,465	9/30/80	
UP-80-3	1	HS		500		315	9/30/80	
UP-80-5	19	LI		19,000		11,780	9/30/80	
UP-80-6	8	HS		4,000		2,520	9/30/80	
UP-80-8	2	SA		2,000		1,300	9/30/80	
UP-80-9	4	HS		2,000		1,260	9/30/80	
UP-80-10	7	SA		14,500		9,425	9/30/80	
UP-80-11	3	LI		3,000		1,860	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	FOCA	FRCA	Settlement	Date	Comments
UP-80-12	18	HS		$ 9,000	$	$ 5,670	9/30/80	
UP-80-13	7	SA		8,500		5,525	9/30/80	
UP-80-14	20	SA		20,000		13,000	9/30/80	
UP-80-15	7	SA		7,000		4,550	9/30/80	
UP-80-16	9	SA		9,000		5,850	9/30/80	
UP-80-17	3	SA		3,000		1,950	9/30/80	
UP-80-18	1	LI		1,000		620	9/30/80	
UP-80-19	9	SA		9,000		5,850	9/30/80	
UP-80-20	1	SA	1	1,000	0	0	9/30/80	
UP-80-21	4	HS		2,000		1,260	9/30/80	
WM-79-2	16	SA	7	16,000	9,000	5,310	9/30/80	
WM-80-1	14	SA		14,000		8,260	9/30/80	
WM-80-2	11	LI	1	11,000	10,000	7,000	9/30/80	
WM-80-3	4	HS		2,000		400	9/30/80	
WM-80-4	2	LI		2,000		1,400	9/30/80	
WM-80-5	5	SA		5,000		2,950	9/30/80	
WP-80-4	1	SA		1,000		750	9/30/80	

FCCA SETTLEMENTS

Case: FRA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
WP-80-5	4	HS		$ 2,000	$	$ 1,250	9/30/80	
TOTAL	14,082		1223			$5,633,259		

SUMMARY OF CLAIMS BASED UPON ALLEGED VIOLATIONS OF RAILROAD
SAFETY REGULATIONS SETTLED PURSUANT TO SECTION 209 OF THE FEDERAL RAILROAD SAFETY
ACT OF 1970 DURING THE PERIOD OCTOBER 1, 1979 THROUGH SEPTEMBER 31, 1980

LEGEND

POCA . . . . . Potential Collectable Amount. This is the Amount contained in our original demand letter to Carrier.

PRCA . . . . . Provable Collectable Amount. This is the maximum statutory penalty that could be assessed after the amount for claims terminated is subtracted from the Potential Collectable Amount. This figure reflects the amount FRA could realistically expect to collect if the matter were litigated. It is based upon evidence not available to FRA at the time of the original demand (POCA).

Under the Column entitled "No. and Type of Claims", the following code was used:

T/S . . . . . Track Safety Standard (49 CFR Part 213)
FCS . . . . . Freight Car Standard (49 CFR Part 215)
E05 . . . . . Emergency Order No. 5 (39 F.R. 38230 (October 30, 1974))
A/R . . . . . Accident/Incident Reporting Regulations (39 CFR 225)
ORP . . . . . Railroad Operating Rules and Practices (49 CFR Part 217)
ROR . . . . . Railroad Operating Rules (49 CFR Part 218)
RSP . . . . . Radio Standards and Procedures (49 CFR Part 220)
E07 . . . . . Emergency Order No. 7 (43 F.R. 12691(March 27, 1980))

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
January 1980								
DRI-79-1	4	T/S		$3,000	$	$1,200	1/21/80	
DTSL-79-2	3	E05		7,500		4,500	1/22/80	
MAD-78-1	1	T/S	1	2,500	0	0	1/16/80	
MTR-79-1	1	ROR	1	750	0	0	1/4/80	
PPU-78-1	2	ROR		2,250		500	1/18/80	
TOTAL	11	5				$ 6,200		
February 1980								
IHB-79-1	4	ROR		7,750	4,750	2,500	2/19/80	
MKT-79-5	33	T/S	29	26,500	4,500	3,500	2/20/80	
MNR-79-1	12	T/S	1	9,000	8,250	3,500	2/4/80	
NW-78-7	13	E07	13	32,500	0	0	2/14/80	
RT-79-1	1	ROR		750		450	2/11/80	
TOTAL	63	5				$ 9,950		
March 1980								
April 1980								
FEC-79-1	7	T/S		5,250		3,570	4/23/80	
LSI-80-1	1	FCS		1,000		500	4/14/80	
WP-80-2	1	E07		2,500		2,500	4/28/80	
TOTAL	9	3				$ 6,570		

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
May 1980								
DRGW-80-1	6	FCS		$6,000	$	$3,600	5/6/80	
IHB-80-1	4	FCS	2	4,000	2,000	1,200	5/2/80	
PPU-80-1	4	FCS	1	4,000	3,000	1,400	5/18/80	
PPU-80-3	1	ROR		750		350	5/18/80	
TOTAL	15	4				$ 6,550		

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
June 1980								
BAR-80-1	5	FCS		$ 5,000	$	$ 5,000	6/23/80	
BS-80-1	1	ROR		750		750	6/26/80	
CUVA-77-1	12	FCS	12	12,250	0	0	6/30/80	FCS Revisions
CUVA-77-3	7	FCS		6,500	0	0	6/30/80	FCS Revisions
EJE-79-1	2	ROR		1,500		900	6/13/80	
KIT-80-3	2	T/S		1,500		1,500	6/27/80	
WATC-80-1	3	ROR		4,000		2,000	6/2/80	
WP-80-1	1	FCS		750		750	6/25/80	
TOTAL	33					$10,900		

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
CSS-80-1	1	ROR		$ 750		$ 750	7/23/80	
DTI-80-3	2	ROR		1,500		1,500	7/28/80	
KIT-80-1	2	FCS		2,000		1,100	7/15/80	
KIT-80-2	2	TS		1,500		1,500	7/15/80	
LI-80-1	1	ROR		750		750	7/18/80	
MAD-78-2	1	RSP	1	2,000	0	0	7/7/80	
MKT-80-1	1	TS		1,500		1,500	6/30/80	
P&LE-79-1	1	ROR		750		375	6/26/80	
WDM-78-1	1	FCS		1,000		750	7/16/80	
WV-80-1	1	ROR		750		300	7/24/80	
TOTAL						$8,525		

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
August 1980								
ADN-80-1	1	AR		$ 1,000	$	$ 500	8/18/80	
CS-79-1	137	TS		91,250		73,000	8/20/80	
CS-79-2	35	TS		29,750		19,000	8/20/80	
DTI-79-1	7	FCS	1	5,750	4,750	2,500	8/28/80	
DTI-79-2	2	ROR		3,250	2,500	1,125	8/28/80	
DTI-80-1	12	FCS		10,000	9,250	6,800	8/28/80	
DTI-80-1	3	ROR		4,000	2,250	1,850	8/28/80	
DTI-80-2	2	ROR		3,250	2,500	1,000	8/28/80	
DTI-80-4	1	ROR		750	750	500	8/28/80	
FEC-80-1	2	FCS		2,000		1,200	8/26/80	
FWD-80-1	4	FCS	1	3,750	2,750	2,100	8/20/80	
KCT-80-2*	3	ROR		2,250		2,250	8/19/80	
LT-80-1	2	ROR		1,500		1,100	8/21/80	
LUD-80-1	1	ROR	1	2,500	0	0	8/1/80	
MKT-80-2	1	EO7	1	2,500	0	0	8/11/80	

*Kansas City Terminal Railway as directed rail carrier over the Chicago, Rock Island and Pacific Railroad.

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
NOPB-80-1	2	FCS	1	$ 1,750	$	$ 375	8/26/80	
OPE-80-1	1	ROR		750		750	8/21/80	
RFP-80-1	3	FCS		3,000		2,700	8/1/80	
SP-80-10	1	FCS	1	750	0	0	8/28/80	
SRC-79-1	6	TS		4,500		1,500	8/7/80	
WP-80-3	8	ROR		10,750		8,500	8/6/80	
WP-80-4	3	ROR		4,000		3,000	8/6/80	
TOTAL	234		67			$ 129,750		

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
September 1980								
ACY-80-1	2	FCS		$ 2,000	$	$ 1,200	9/30/80	
AGS-80-1	10	TS		7,500		4,950	9/30/80	
ATK-78-8	5	ROR		12,500		6,250	9/26/80	
ATK-80-1	4	ROR		4,750		3,800	9/26/80	
ATK-80-2	5	TS		7,250		5,800	9/26/80	
ATK-80-3	5	ROR		3,750		2,400	9/26/80	
ATSF-78-3	21	TS		15,750		8,400	9/30/80	
ATSF-78-4	5	ROR		3,750		2,500	9/30/80	
ATSF-78-3	6	TS		10,500		5,250	9/30/80	
ATSF-79-3	6	ROR		4,500		3,150	9/30/80	
ATSF-80-1	3	TS		2,250		1,700	9/30/80	
ATSF-80-2	4	ROR		3,000		2,000	9/30/80	
ATSF-80-3	25	FCS		23,000		14,150	9/30/80	
ATSF-80-4	2	FCS		2,000		1,500	9/30/80	
ATSF-80-5	1	EOS		2,500		1,750	9/30/80	
BEDT-78-1	3	AR	3	3,000	0	0	9/30/80	
BEDT-80-1	1	AR		1,000		300	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
BM-80-1	27	FCS	3	$26,500	$23,500	$15,510	9/30/80	
BM-80-2	1	EO7		1,500		1,125	9/30/80	
BM-80-3	31	FCS		28,000		18,480	9/30/80	
BM-80-4	1	ROR		750		563	9/30/80	
BM-80-5	42	TS	26	63,000	24,000	24,000	9/30/80	
BN-78-7	11	ROR		17,000		6,600	9/30/80	
BN-79-1	15	FCS	2	14,500	12,500	7,700	9/30/80	
BN-79-2	114	TS	49	102,500	65,750	37,675	9/30/80	
BN-79-3	41	TS	29	26,000	8,750	6,637	9/30/80	
BN-79-4	4	ROR		3,000		1,980	9/30/80	
BN-79-6	13	FCS	4	12,250	8,250	5,082	9/30/80	
BN-79-7	10	TS		8,750		6,567	9/30/80	
BN-79-8	5	ROR		3,750		2,650	9/30/80	
BN-80-1	13	TS		9,750		6,585	9/30/80	
BN-80-2	4	TS		3,250		2,340	9/30/80	
BN-80-3	1	TS		750		487	9/30/80	
BN-80-4	9	TS		7,000		5,320	9/30/80	
BN-80-5	4	FCS	1	3,500	2,500	1,540	9/30/80	

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FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
BN-80-6	8	FCS	3	$ 8,000	$ 5,000	$ 3,084	9/30/80	
BN-80-7	4	ROR	1	3,000	2,250	1,520	9/30/80	
BN-80-8	1	REM	1	500	0	0	9/30/80	
BN-80-9	1	AR		1,000		350	9/30/80	
BN-80-10	2	RSP	1	2,000	1,000	500	9/30/80	
BN-80-11	1	REM		500		400	9/30/80	
BO-79-5	33	FCS	11	30,750	19,750	11,350	9/30/80	
BO-79-7	54	ROR	8	27,000	23,000	13,800	9/30/80	
BO-79-10	42	FCS	12	38,750	26,750	15,550	9/30/80	
BO-79-11	7	ROR		4,500		3,300	9/30/80	
BO-79-12	23	TS	3	13,750	10,750	7,600	9/30/80	
BO-79-13	28	FCS		26,000		15,600	9/30/80	
BO-80-1	11	FCS		10,250		6,150	9/30/80	
BO-80-2	5	FCS		5,000		3,000	9/30/80	
BO-80-3	41	TS		51,750		33,600	9/30/80	
BO-80-4	14	FCS		13,750		8,250	9/30/80	
BO-80-5	10	ROR	2	11,000	9,000	6,300	9/30/80	
BO-80-6	1	ROR		750		500	9/30/80	
BO-80-7	1	FCS		1,000		600	9/30/80	
BOCT-80-1	1	FCS		1,000		600	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
BOCT-80-2	2	ROR	1	$ 1,500	$ 750	$ 500	9/30/80	
CGA-80-1	2	FCS	2	2,500	0	0	9/30/80	
CGA-80-2	39	TS		38,500		23,400	9/30/80	
CNW-78-6	45	TS		33,750		21,500	9/30/80	
CNW-78-7	6	ROR		4,500		3,000	9/30/80	
CNW-79-3	10	TS		7,500		4,600	9/30/80	
CNW-79-4	58	TS		39,750		23,500	9/30/80	
CNW-79-5	22	TS		25,250		14,600	9/30/80	
CNW-79-6	17	TS		12,750		8,100	9/30/80	
CNW-80-1	22	TS		16,500		9,100	9/30/80	
CNW-80-2	34	FCS		30,000		18,300	9/30/80	
CNW-80-3	9	TS		7,500		4,600	9/30/80	
CNW-80-4	10	ROR		7,500		4,500	9/30/80	
CNW-80-5	10	TS		7,500		4,600	9/30/80	
CNW-80-6	10	TS		7,500		4,400	9/30/80	
CNW-80-8	4	ROR		3,000		2,000	9/30/80	
CO-79-1	50	FCS	26	39,250	18,750	10,750	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
CO-79-4	100	FCS	22	$86,000	$64,000	$37,485	9/30/80	
CO-79-5	27	FCS	8	24,500	17,250	9,850	9/30/80	
CO-79-6	14	ROR	1	10,500	9,750	6,500	9/30/80	
CO-79-7	2	AR		2,000		700	9/30/80	
CO-79-9	14	TS		7,000		4,550	9/30/80	
CO-79-10	10	FCS	5	9,500	4,750	2,350	9/30/80	
CO-79-11	36	FCS	2	28,500	26,500	15,400	9/30/80	
CO-79-12	20	TS	17	15,000	2,250	2,250	9/30/80	
CO-79-13	44	TS		34,750		24,600	9/30/80	
CO-80-1	23	FCS	4	21,750	17,000	9,700	9/30/80	
CO-80-2	46	TS		32,500		21,000	9/30/80	
CO-80-3	17	FCS		17,250		10,350	9/30/80	
CO-80-4	1	EOS		2,500		1,000	9/30/80	
CO-80-5	63	FCS		53,750		32,250	9/30/80	
CO-80-6	8	ROR		6,000		3,900	9/30/80	
CO-80-8	5	FCS		4,500		2,700	9/30/80	
CO-80-9	2	ROR		1,500		1,200	9/30/80	
CRC-78-11	21	AR		21,000		5,250	9/30/80	
CRC-78-13	40	FCS	24	35,250	14,750	8,850	9/30/80	
CRC-78-14	81	FCS	61	65,750	21,000	12,600	9/30/80	
CRC-78-16	17	ROR		28,500		12,837	9/30/80	
CRC-78-17	1	REM		500		400	9/30/80	
CRC-80-1	203	FCS	22	192,000	171,500	100,900	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
CRC-80-2	10	EO7	5	$20,000	$12,500	$ 9,375	9/30/80	
CRC-80-3a	134	TS		105,500		63,300	9/30/80	
CRC-80-4	106	FCS	35	101,750	77,750	46,200	9/30/80	
CRC-80-5	2	EO7		4,000		2,600	9/30/80	
CRC-80-6	101	FCS	6	93,000	87,500	52,425	9/30/80	
CRC-80-7	109	FCS	4	97,500	93,500	53,925	9/30/80	
CRC-80-8	50	TS	1	35,750	35,000	26,400	9/30/80	
CRC-80-9	110	FCS	9	97,250	88,750	51,625	9/30/80	
CRC-80-10	22	SNR	19	55,000	7,500	5,250	9/30/80	
CRC-80-11	97	ROR	2	74,250	72,750	47,288	9/30/80	
CRC-80-12	12	W.PET 17		12,500		4,000	9/30/80	
CRC-80-13	16	W.PET 77-16		12,000		7,800	9/30/80	
CRC-80-14	5	EO7	2	10,500	7,500	5,625	9/30/80	
CRC-80-15	24	FCS		21,750		12,525	9/30/80	
CRC-80-16	3	W.PET 77-16	2	2,250	750	250	9/30/80	
CRC-80-20	24	FCS	2	25,250	23,500	14,100	9/30/80	
CRI-79-1	1	ROR		750		490	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
CRR-80-1	27	FCS	1	$27,500	$26,500	$18,000	9/29/80	
CRR-80-2	1	ROR		750		400	9/29/80	
CV-80-1	1	FCS		750		250	9/30/80	
CV-80-2	8	FCS	4	8,000	4,000	4,000	9/30/80	
DH-78-3	65	FCS	58	64,750	6,750	5,250	9/30/80	
DH-78-4	2	AR		2,000		1,000	9/30/80	
DH-80-1	22	FCS	6	21,000	15,250	9,500	9/30/80	
DH-80-2	2	EO7	1	3,000	1,500	1,500	9/30/80	
DH-80-3	3	ROR		2,250		1,200	9/30/80	
DH-80-4	1	FCS		1,000		500	9/30/80	
DTSL-80-1	4	FCS	1	4,000	3,000	2,400	9/30/80	
DTSL-80-2	1	ROR		750		500	9/30/80	
GNWR-80-1	3	FCS		3,000		1,800	9/30/80	
GNWR-80-2	7	FCS	3	5,500	3,000	2,000	9/30/80	
GTW-79-2	9	ROR		13,000	8,000	6,000	9/30/80	
GTW-80-1	13	FCS	6	12,750	6,750	4,000	9/30/80	
GTW-80-3	1	RSP		750		250	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
GTW-80-4	4	ROR	1	$ 3,000	$ 2,250	$ 1,200	9/30/80	
ICG-79-6	14	TS		16,250		11,375	9/30/80	
ICG-80-1	5	TS		3,750		2,250	9/30/80	
ICG-80-2	1	TS		500		500	9/30/80	
ICG-80-3	14	TS		10,500		6,510	9/30/80	
ICG-80-4	1	TS		1,000		600	9/30/80	
ICG-80-5	33	TS		26,250		19,425	9/30/80	
ICG-80-7	121	TS	1	90,750	90,000	46,120	9/30/80	
ICG-80-8	27	TS	9	22,500	18,000	9,180	9/30/80	
ICG-80-9	40	ROR		35,000		22,400	9/30/80	
ITC-80-1	2	AR	1	2,000	1,000	400	9/16/80	
ITC-80-2	1	ROR		750		550	9/16/80	
ITC-80-3	2	TS		1,000		800	9/16/80	
ITC-80-4	1	ROR		750		550	9/16/80	
KCS-79-2	3	ROR		2,250		1,500	9/25/80	
KCS-79-3	1	AR		1,000		500	9/25/80	
KCS-80-1	42	TS		30,750		21,000	9/25/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
KCS-80-2	5	FCS		$ 5,000	$	$ 3,500	9/25/80	
KCS-80-3	4	ROR		4,750		3,000	9/25/80	
KCS-80-4	1	TS		500		300	9/25/80	
LA-80-1	29	FCS	2	27,500	25,500	16,000	9/25/80	
LA-80-2	2	ROR		1,500		1,000	9/25/80	
MDD-80-1	4	TS		10,000		1,000	9/16/80	
MI-80-1	1	AR		1,000		500	9/30/80	
MILW-78-4*	117	TS		82,750		37,237	9/10/80	
MILW-78-5*	78	FCS	35	70,750	42,000	23,889	9/10/80	
MILW-78-6*	41	TS		29,500		15,275	9/10/80	
MILW-80-1*	11	TS		8,250		5,000	9/10/80	
MILW-80-2*	50	TS		38,250		20,000	9/10/80	
MILW-80-3*	5	TS		3,750		1,687	9/10/80	
MILW-80-4*	6	FCS		6,000		3,500	9/10/80	
MILW-80-5*	24	FCS		23,750		12,000	9/10/80	
MILW-80-6*	26	TS		23,250		10,462	9/10/80	
MILW-80-7*	170	TS		145,750		62,800	9/10/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
MILW-80-8*	10	ROR		$ 7,500	$	$ 4,000	9/10/80	
MILW-80-9*	2	ROR		1,500		750	9/10/80	
MILW-80-10*	1	EO7		750		500	9/10/80	
MILW-80-11*	9	TS		6,500		3,000	9/10/80	
MILW-80-12*	3	TS		2,250		1,012	9/10/80	
MKCSJA-80-1	7	FCS		6,500		4,000	9/25/80	
MKT-78-1	12	TS		9,000		5,850	9/30/80	
MKT-78-3	19	FCS	6	16,500	12,000	7,200	9/30/80	
MKT-80-3	12	FCS		12,000		7,200	9/30/80	
MKT-80-4	2	ROR		1,500		500	9/30/80	
MKT-80-5	5	ROR	1	3,750	3,000	1,825	9/30/80	
MKT-80-6	50	TS		32,500		21,000	9/30/80	
MP-79-1	22	AR	1	22,000	21,000	12,500	9/30/80	
MP-80-2	231	TS	193	197,250	35,750	23,600	9/30/80	
MP-80-3	9	TS		9,000		5,700	9/30/80	
MP-80-4	2	EO5		5,000		3,500	9/30/80	
MP-80-5	8	TS		6,000		3,900	9/30/80	

*Liquidated cost of administration; subject to later reorganization court order concerning time of payment.

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
MP-80-6	19	ROR	1	$14,250	$13,500	$ 8,500	9/30/80	
MP-80-7	11	AR		11,000		6,500	9/30/80	
MP-80-8	70	TS		58,000		35,500	9/30/80	
MP-80-9	7	TS		5,250		3,400	9/30/80	
MP-80-10	3	ROR		2,250		1,500	9/30/80	
NFG-80-1	1	FCS		750		450	9/30/80	
NOTC-80-1	15	FCS	7	15,000	8,000	3,900	9/30/80	
NS-80-1	2	FCS	1	2,000	1,000	500	9/30/80	
NW-79-5	7	ROR	3	5,250	3,000	2,000	9/30/80	
NW-79-6	43	FCS	1	41,750	40,750	24,500	9/30/80	
NW-80-2	10	TS		7,500		5,000	9/30/80	
NW-80-3	3	ROR	1	2,250	1,500	1,000	9/30/80	
SCL-78-7	24	FCS	11	25,250	14,250	9,250	9/30/80	
SCL-79-1	23	FCS	8	22,000	17,250	11,200	9/30/80	
SCL-79-2	191	TS	155	142,000	27,000	12,800	9/30/80	
SCL-79-3	65	FCS	3	59,000	56,000	29.600	9/30/30	
SCL-79-5	101	TS		75,750		42,975	9/30/80	
SCL-79-7	27	TS	1	20,500	19,500	13,200	9/30/80	
SCL-79-8	89	TS		66,500		43,000	9/30/80	
SCL-79-9	8	ROR	3	6,000	3,750	2,400	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
SCL-79-10	34	TS	1	$33,750	$33,250	$19,575	9/30/80	
SCL-80-1	60	FCS	6	54,750	48,750	26,250	9/30/80	
SCL-80-2	1	EO7		2,500		750	9/30/80	
SCL-80-3	103	TS	4	77,250	74,250	42,000	9/30/80	
SCL-80-5	17	TS	2	12,250	11,250	6,750	9/30/80	
SJRT-80-1	3	FCS		3,000		1,500	9/30/80	
SLSF-80-1	24	FCS	1	21,500	20,500	12,000	9/30/80	
SLSF-80-2	7	ROR	7	12,250		4,400	9/30/80	
SLSF-80-3	4	AR	1	4,000	3,000	1,500	9/30/80	
SOU-79-1	52	TS	34	41,000	14,000	8,425	9/30/80	
SOU-80-1	14	FCS	12	12,000	1,500	1,050	9/30/80	
SOU-80-2	12	TS	2	8,250	6,750	4,750	9/30/80	
SOU-80-3	2	ROR		1,500		1,050	9/30/80	
SOU-80-4	11	TS		8,250		5,350	9/30/80	
SP-78-8	20	ROR	2	29,000	13,500	8,550	9/30/80	
SP-80-2	6	FCS		6,000		3,720	9/30/80	
SP-80-3	1	TS		500		350	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
SP-80-4	1	EO7		$ 2,500	$ 0	$ 0	9/30/80	
SP-80-5	49	FCS	14	44,750	33,000	20,460	9/30/80	
SP-80-6	75	TS	8	54,000	48,000	29,550	9/30/80	
SP-80-7	10	RSP	10	5,000	0	0	9/30/80	
SP-80-8	21	ROR	2	15,750	14,250	8,050	9/30/80	
SSW-78-3	16	TS		12,000		6,000	9/30/80	
SSW-80-1	5	FCS	1	5,000	4,000	2,480	9/30/80	
SSW-80-2	3	ROR		2,250		1,575	9/30/80	
SSW-80-3	1	ROR	1	750	0	0	9/30/80	
SSW-80-4	1	ROR		750		560	9/30/80	
TRRA-80-1	1	FCS		1,000		750	9/25/80	
TRRA-80-2	1	AR		1,000		500	9/25/80	
TRRA-80-3	1	ROR		2,500		750	9/25/80	
UP-78-4	9	ROR		20,750		14,525	9/30/80	
UP-80-1	5	TS		5,000		3,100	9/30/80	
UP-80-2	3	FCS		2,250		1,462.5	9/30/80	
UP-80-3	7	ROR		7,000		4,900	9/30/80	

FRSA SETTLEMENTS

Case: FRA FRSA No.	No. Claims	Type	Terminated	POCA	PRCA	Settlement	Date	Comments
UP-80-4	1	TS		$ 750	$	$ 465	9/30/80	
UP-80-5	25	FCS		25,000		16,250	9/30/80	
UP-80-6	13	FCS		11,750		7,637.5	9/30/80	
UP-80-7	1	TS		750		465	9/30/80	
UP-80-8	9	FCS		8,750		5,687.5	9/30/80	
UP-80-9	7	ROR		8,750		6,125	9/30/80	
UP-80-10	2	TS		1,500		930	9/30/80	
UP-80-11	3	TS		2,250		1,395	9/30/80	
VMD-79-1	95	TS	84	71,250	8,250	2,750	9/30/80	
WM-78-2	8	FCS		7,750		4,650	9/30/80	
WM-80-1	3	FCS		2,500		1,500	9/30/80	
WM-80-2	2	FCS		1,500		900	9/30/80	
TOTAL	5,641		1,158			$2,318,379.50		

SUMMARY OF CLAIMS BASED UPON ALLEGED
VIOLATIONS OF THE HAZARDOUS MATERIALS TRANSPORTATION ACT FROM
JANUARY 1, 1980 THROUGH SEPTEMBER 30, 1980

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
January 1980						
ZMDC-79-1	1	$3,000	1	$ 0		1/9/80
February 1980						
UP-79-1	1	5,000		2,500		2/21/80
ZCLG-79-1	1	5,000	1	0		2/21/80
ZNWP-79-1	1	5,000		2,500		2/21/80
ZVG-79-1	1	5,000	1	0		2/21/80
TOTAL	4			$ 5,000		
March 1980						
ZRMC-79-1	1	10,000		7,500		3/14/80
ZKMC-79-1	1	5,000	1	0		3/4/80
TOTAL	2			$ 7,500		
April 1980						
BO-79-5	2	8,000		6,000		4/1/80
LN-79-1	5	17,000		13,000		4/30/80
LN-79-5	3	21,000		16,000		4/30/80
LN-79-6	2	10,500		7,500		4/30/80

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
LN-79-8	1	$8,000		$4,500		4/30/80
LN-79-9	1	6,000		5,500		4/30/80
WP-80-1	1	4,000		4,000		4/30/80
TOTAL	15			$56,500		
May 1980						
BRC-79-1	2	10,000		3,000		5/12/80
GTW-78-1	1	10,000		5,000		5/20/80
LA-80-1	1	3,000		2,000		5/19/80
SOO-79-1	2	10,000		1,000		5/13/80
ZMM-79-1	2	12,000		4,000		5/7/80
ZVWR-78-1	1	6,000		2,000		5/19/80
ZVWR-80-1	1	10,000		3,500		5/19/80
ZWRG-80-1	2	7,500		4,500		5/7/80
TOTAL	12			$25,000		

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
June 1980						
AWP-79-1	1	$3,000		$2,200		6/30/80
AWP-79-2	1	3,000		2,100		6/30/80
LA-80-1	1	3,000		2,000		6/11/80
ZFCC-80-1	1	2,500		1,000		6/9/80
ZFI-80-1	2	8,000		6,000		6/20/80
ZPPG-80-1	1	2,500		1,000		6/10/80
TOTAL	7			$14,300		

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
BN-79-4	1	3,000		2,100		7/11/80
LA-79-1	2	6,000		4,200		7/9/80
ZAC-80-1	2	16,000		12,000		7/23/80
ZCRA-80-1	11	50,000		33,000		7/24/80
ZFI-80-2	1	7,000		5,000		7/24/80
ZINC-80-1	3	9,000		9,000		7/17/80
TOTAL	20			$65,300		

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HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	DATE
August 1980					
CNW-79-4	1	$ 3,000		$ 2,000	8/15/80
CNW-80-1	2	5,000		3,400	8/7/80
CNW-80-2	1	3,000		2,000	8/22/80
LA-80-2	2	9,000		5,900	8/13/80
LN-79-4	8	2,400		2,400	8/11/80
LN-79-7	1	5,000		3,500	8/7/80
LN-80-1	1	9,000		4,000	8/11/80
ZDUP-80-1	3	9,000	3	0	8/26/80
ZDUP-80-2	1	7,000	1	0	8/12/80
ZSWC-80-1	1	10,000		5,000	8/12/80
TOTAL	25			$28,200	

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
September 1980						
ATSF-80-3	1	$ 5,000		$ 2,500		9/30/80
ATSF-80-4	1	5,000		3,500		9/30/80
BN-80-1	1	5,000		4,000		9/30/80
BN-80-2	2	11,000		8,000		9/30/80
BO-80-1	2	13,000		8,000		9/30/80
BO-80-2	1	8,000		5,000		9/30/80
BO-80-3	2	11,000		8,000		9/30/80
BOCT-79-1	1	3,000		2,100		9/30/80
CO-79-3	2	5,000		3,600		9/30/80
CO-80-1	1	5,000		3,250		9/30/80
CO-80-2	3	12,000		7,800		9/30/80
DH-80-1	1	6,000		3,500		9/30/80
ICG-79-1	1	3,000		2,250		9/30/80
ICG-79-2	1	3,000		2,250		9/30/80
ICG-79-5	1	4,000		3,000		9/30/80
ICG-79-6	1	10,000		7,000		9/30/80

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
ICG-80-1	1	$ 5,000		$ 2,750		9/30/80
ICG-80-2	1	10,000		8,000		9/30/80
ICG-80-4	2	8,000		6,000		9/30/80
KCS-78-1	1	2,500		2,100		9/30/80
KCS-80-1	6	17,000		12,000		9/25/80
LA-80-3	2	10,000		7,000		9/25/80
LN-80-3	2	10,000		10,000		9/30/80
MILW-79-1*	2	4,000		2,000	2,000	9/10/80
MILW-80-1*	1	5,000		3,000	3,000	9/10/80
MNR-80-1	2	7,000		3,000		9/11/80
MP-80-1	1	3,500		2,400		9/30/80
MP-80-2	12	33,000		22,000		9/30/80
MP-80-3	5	17,500		12,500		9/30/80
MP-80-4	1	5,000		3,500		9/30/80
MP-80-5	3	10,000		6,700		9/30/80
MP-80-6	1	5,000		3,500		9/30/80

*Liquidated cost of administration; subject to later reorganization court order concerning time of payment

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
MP-80-7	3	$14,000		$ 9,500		9/30/80
MP-80-8	2	7,500		5,000		9/30/80
MP-80-9	1	5,000		3,500		9/30/80
MP-80-11	2	5,500		3,700		9/30/80
MP-80-12	7	35,000		24,000		9/25/80
MP-80-13	4	10,500	1	6,200		9/30/80
MP-80-15	1	3,000		2,000		9/30/80
MP-80-16	2	8,400		5,800		9/30/80
MP-80-17	5	21,000		14,300		9/30/80
MP-80-18	7	20,000		13,400		9/25/80
NOT-78-2	3	7,500		4,250		9/30/80
NOT-78-3	3	9,500		6,400		9/30/80
NW-80-1	5	25,000		17,800		9/29/80
NW-80-2	1	3,000		2,100		9/30/80
NW-80-3	2	7,500		5,200		9/30/80
NW-80-4	2	13,000		9,800		9/30/80
NW-80-6	2	9,500		6,100		9/30/80

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
SCL-80-1	4	$13,000		$ 8,000		9/30/80
SP-80-1	47	249,500		122,760		9/30/80
SP-80-2	5	32,000		22,940		9/30/80
SP-80-3	3	12,000		8,400		9/30/80
SP-80-4	1	6,000		2,500		9/30/80
SP-80-5	2	7,000		4,900		9/30/80
SP-80-6	9	42,000		17,000		9/30/80
SP-80-7	10	72,000		53,280		9/30/80
SP-80-8	1	9,000		6,660		9/30/80
SP-80-9	5	36,000		26,640		9/30/80
SP-80-10	4	14,000		9,800		9/30/80
SP-80-11	3	21,000		15,540		9/30/80
SSW-79-2	1	3,000		2,100		9/30/80
SSW-80-1	1	6,000		4,200		9/30/80
SSW-80-2	2	5,000		3,500		9/30/80
TRRA-80-1	1	5,000		3,500		9/30/80
TRRA-80-2	2	8,000		5,000		9/30/80

HMTA SETTLEMENTS

CASE: HMTA NO.	NO. OF CLAIMS	PROPOSED ASSESSMENT	CLAIMS TERMINATED	FINAL ASSESSMENT BY CHIEF COUNSEL	Settlement	DATE
TRRA-80-3	1	$ 5,000		$ 3,000		9/25/80
TT-80-1	2	6,000		2,250		9/30/80
ZBOR-80-1	1	3,000		500		9/30/80
ZDJT-80-1	1	3,000		750		9/23/80
ZGPA-79-1	1	3,000		1,800		9/1/80
ZHCC-80-1	1	3,000		1,200		9/9/80
ZLRT-80-1	3	9,000		3,000		9/17/80
ZOLI-80-1	18	72,000		36,000		9/26/80
ZOLI-80-2	1	8,000		5,000		9/26/80
ZPRO-80-1	1	3,000		500		9/24/80
ZSAU-80-1	1	3,000		750		9/23/80
ZSCC-80-1	2	7,000		3,500		9/30/80
ZWRT-80-1	1	8,000		3,000		9/11/80
TOTAL	252			$736,220	$ 5,000	

I. CASES REFERRED TO UNITED STATES ATTORNEYS DURING THE PERIOD OCTOBER 1, 1979 - SEPTEMBER 30, 1980

File #CC-	Defendant	No. & Type of Violation	Date Forwarded
CC-383	Detroit & Toledo Shore Line Railroad Company	9 H/S	April 1, 1980

II. CASES CLOSED DURING THE PERIOD OCTOBER 1, 1979 - SEPTEMBER 30, 1980

File #CC-	Defendant	No. & Type of Violation	Disposition
283	PennCentral Transportation Company	1 H/S	Judgment entered in favor of Government 11/3/77, reported at 445 F. Supp. 561 (N.D. Ohio 1977). Sixth Circuit Court of Appeals affirmed decision 3/3/80. Defendant fined $500.
383	Detroit & Toledo Shore Line Railroad Company	9 H/S	Judgment entered in favor of Government 9/26/80 in the amount of $2,500. Four counts were dismissed, and there was a finding of liability on five counts (E. D. Michigan S. Div.).

ABBREVIATIONS FOR RAILROADS

Initials	Corp. Name and Initials of Affiliates (See Table III)**
	I. "Major" Railroads
ATK	Amtrak (National Railroad Passenger Corp.)
ATSF	The Atchison, Topeka & Santa Fe Railway
BM	Boston & Maine Corp.
BN	Burlington Northern Inc. (CS, FWD)
BO	Baltimore and Ohio Railroad)) Chessie System (BOCT,) NFG, SIRC, TT, UB, WM)
CO	The Chesapeake and Ohio Railway)
CNW	Chicago & North Western Transportation Company
CRC	Consolidated Rail Corp. (CRI)
CRR	Clinchfield Railroad*
DH	Delaware & Hudson Railway (GJ)
DRGW	The Denver & Rio Grande Western Railroad
DTI	Detroit, Toledo & Ironton Railroad
DTS	The Detroit & Toledo Shore Line Railroad
EJE	Elgin, Joliet & Eastern Railway
FEC	Florida East Coast Railway
GTW	Grand Trunk Western Railroad (CV, DWP, DTS)
ICG	Illinois Central Gulf Railroad
ITC	Illinois Terminal Co.
KCS	The Kansas City Southern Railway)) (MKCS)
LA	Louisiana & Arkansas Railway)

*Owned by SCL but handled separately.
**"Company" has been deleted from all corporate names.

Initials	Corp. Name and Initials of Affiliates (See Table III)
	"Major" Railroads con't
LI	Long Island Rail Road
LN	Louisville & Nashville Railroad (AWP, GA, WA)
MILW	Chicago, Milwaukee, St. Paul & Pacific Railroad
MP	Missouri Pacific Railroad** (AS)
MKT	Missouri-Kansas-Texas Railroad
NW	Norfolk and Western Railway (ACY, NFD)
PLE	The Pittsburg & Lake Erie Railroad (MGA, MTR)
RI	Chicago, Rock Island and Pacific Railroad
SCL	Seaboard Coast Line Railroad
SLSF	St. Louis-San Francisco Railway***
SOO	Soo Line Railroad
SOU	Southern Railway (AEC, AGS, CGA, CNTP, CPLJ, GN, GSF, INT, LPSG, LSO, NS, SJTR, STUN, TAG, TENN)
SP	Southern Pacific Transportation Co. (NWP, SSW)
TRRA	Terminal Railroad Association of St. Louis
UP	Union Pacific Railroad
WP	The Western Pacific Railroad

** Former subsidiary railroads now merged with MP are CEI, FWB, MI, TP and TP-MPT.

*** Set to merge with BN.

Initials	Corporate Name
	II. "Smaller" Railroads
APRR	Albany Port Railroad
APD	Albany Port District
AA	Ann Arbor
APN	Apalachicola Northern
ALM	Arkansas & Louisiana & Missouri
AVL	Aroostock Valley
ASAB	Atlanta & St. Andrews Bay
ATC	Auto Train Corp.
BAR	Bangor & Aroostock
BML	Belfast & Moosehead Lake
BLE	Bessemer & Lake Erie
BS	Birmingham Southern
BCK	Buffalo Creek
BEDT	Brooklyn Eastern District Terminal
CI	Cambria & Indiana
CWR	California Western
CN	Canadian National
CP	Canadian Pacific
CARR	Carrollton System
CR	Chestnut Ridge
CIM	Chicago & Illinois Midland
CSS	Chicago, South Shore & South Bend
CWP	Chicago, West Pullman

Initials	Corporate Name
	II. "Smaller" Railroads con't
CLC	Columbia & Cowlitz
CBL	Conemaugh & Back Lick
CMER	Curtis Milburn & Eastern
CUVA	Cuyahoga Valley
CSP	Camas Prairie Railroad
DRI	Davenport & Rock Island
DMU	Des Moines Union
DM	Detroit Mackinac
DT	Detroit Terminal
DMIR	Duluth, Missabe & Iron Range
EW	Erie Western
ELS	Escanaba and Lake Superior
GHH	Galveston, Houston & Henderson
GNWR	Genessee & Wyoming
GRR	Georgetown
GBW	Green Bay Western
GM	Green Mountain
HS	Hartford & Slocomb
HBT	Houston Belt Terminal
IHB	Indiana Harbor Belt
IU	Indianapolis Union
KCT	Kansas City Terminal
KIT	Kentucky & Indiana

Initials	Corporate Name
	II. "Smaller" Railroads con't
LASB	Lackawaxen & Stourbridge
LSI	Lake Superior & Ishpeming
LT	Lake Terminal
LS	Longview Switching Co.
LUD	Ludington & Northern
CMPA	Madison Railroad (City of Madison Port Authority)
MEC	Maine Central
MBRR	Meridian & Bigbee
MN	Michigan Northern
MNS	Minneapolis Northfield & Southern
MS	Monessen Southwestern
NSS	Newburgh & South Shore
NOPB	New Orleans Public Belt
OPE	Oregon, Pacific & Eastern
PBR	Patapsco & Back Rivers
PPU	Peoria & Pekin Union
PS	Pittsburg & Shawmut
PTRA	Port Terminal
PW	Providence & Worcester
RR	Raritan River
RFP	Richmond, Fredericksburg & Potomac
RT	River Terminal
SM	St. Mary's
SMV	Santa Maria Valley
SB	South Buffalo
SCTR	South Central Tennessee

Initials	Corporate Name
	II. "Smaller" Railroads con't
TMBL	Tacoma Municipal Belt Line
TASD	Terminal Railway Alabama State Docks
TN	Texas Northern
TOE	Texas, Oklahoma & Eastern
TPW	Toledo, Peoria & Western
TRC	Trona
URR	Union
VMD	Virginia & Maryland
WV	Wabash Valley
WIM	Washington, Idaho & Montana
WATC	Washington Terminal
WSS	Winston Salem Southbound
WRC	Wolfeboro

Initials	Corporate Name
	III. Affiliates of "Major" Railroads
ACY	Akron, Canton & Youngstown
AEC	Atlantic and East Carolina Railway Company
AGS	The Alabama Great Southern Railway Company
AS	Alton & Southern
AWP	Atlanta & West Point
BOTC	Baltimore and Ohio Chicago Terminal Railroad Company
CGA	Central of Georgia Railroad Company
CNTP	The Cincinnati, New Orleans & Texas Pacific Railway Company
CPLJ	Camp Lejeune Railroad Company
CRI	Chicago River and Indiana Railroad Company
CS	Colorado and Southern
CV	Central Vermont
DWP	Duluth, Winnepeg & Pacific
FWD	Fort Worth and Denver
GA	Georgia
GJ	Greenwich & Johnsville Railway
GN	The Georgia Northern Railway Company
GSF	Georgia Southern and Florida Railway Company
INT	Interstate Railroad Company
LPSG	Live Oak, Perry and South Georgia Railway Company
LSO	Louisiana Southern Railway Company
MKCS	Milwaukee-Kansas City Southern Joint Agency
MGA	Monongahela Connecting
MTR	Montour
NFD	Norfolk, Franklin & Danville
NFG	Nichols Fayette & Greenbriar Railroad Company
NS	Norfolk Southern Railway Company
NWP	Northwestern Pacific Railroad Company
SJRT	St. Johns Terminal Railroad

Initials	Corporate Name
	III. Affiliates of "Major" Railroads con't
SSW	St. Louis Southwestern Railway Company
STUN	State University Railroad Company
SIRC	Staten Island Railroad Corporation
TAG	Tennessee, Alabama and Georgia Railway Company
TENN	Tennessee Railway Company
TT	Toledo Terminal Co.
UB	Union Belt of Detroit
WA	Western Railway of Alabama
WM	Western Maryland Railway Company

ABBREVIATIONS FOR RAILROADS

February 1981

Initials	Corporation Name
BLE	Bessemer & Lake Erie
BRC	Belt Railway of Chicago
BS	Birmingham Southern
CBL	Conemaugh & Black Lick
CI	Cambria & Indiana
CLC	Columbia & Cowlitz
CMER	Curtis, Milburn & Eastern
CP	Canadian Pacific
DMI	Duluth, Messabi and Iron Range
DQE	Dequeen & Eastern
EJE	Elgin, Joliet & Eastern
GTW	Grand Trunk Western CV - Central Vermont DTI - Detroit, Toledo & Ironton DTS - Detroit & Toledo Shoreline DWP - Duluth, Winnipeg & Pacific
HBT	Houston Belt Terminal
IHB	Indiana Harbor Belt
LT	Lake Terminal Railroad
NOPB	New Orleans Public Belt
PBR	Patapsco and Back Rivers
PPU	Peoria Pekin Union
RFP	Richmond, Fredicksburgh & Potomac
SB	South Buffalo
TOE	Texas, Oklahoma & Eastern
URR	Union Railroad

Senator Andrews: Outline the major components of your System Safety Plan. When will the Committee have access to a final copy?

Response: FRA's draft System Safety Plan establishes the agency's key safety priorities and management procedures for achieving objectives in the identified priority areas. Some of the management procedures which FRA has adopted to facilitate the achievement of its safety objectives are: 1.) methods for improving the detail and timeliness of accident information provided to the inspectors, so that carriers and railroad divisions experiencing the greatest safety problems can be identified; 2.) the development of regional inspection plans, which are to be incorporated into a national inspection plan; and 3.) the more direct linking of the criteria for evaluating FRA safety managers to FRA's safety objectives.

We hope to complete the final clearance process and have a published report by the end of May 1981.

Senator Andrews: Mr. Administrator, this committee has been exploring with the other agencies which have testified before us the possibilities of utilizing user fees to cover the cost of services provided by the Federal Government. What thought have you given to user fees for your rail safety inspection program? Please identify any impediments to the implementation of such a program.

Response: FRA monitoring serves to uncover violations of railroad safety standards. In the sense that the railroads are required to pay penalties for such violations, there is a user fee. However, we believe that it is more constructive to view the FRA inspector's function as being one of promoting safety rather than as a source of revenue. While the imposition of fines can be an important means of stimulating safety improvements, cooperative approaches work well in many situations.

TRANSFER OF USRA FUNCTIONS TO FRA

Senator Andrews: Upon the termination of USRA, which of its present functions will be assumed by FRA? Please identify the timing and content of each responsibility to be transferred. Are any problems anticipated? Please outline any transition plans which have been made?

Response: After consultation with the staffs of the Congressional oversight committees, we will submit legislation to implement our proposals for transfer of Conrail's lines and the related matters of commuter service separation and Title V repeal or work with the staffs to develop committee legislation. At the same time (mid-April) we will address the issue of transfer of USRA. We will propose transfer of USRA's monitoring, financing and planning functions to FRA. These responsibilities will be refocused, however, because the primary functions will no longer be maintenance of the status quo, but achieving a private sector solution through transferring major portions of Conrail's lines to profitable railroads, and implementing solutions to commuter, labor protection, and freight terminal operating problems that are a prerequisite to the transfer process. Transition planning will begin soon.

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LABOR ASSISTANCE

Senator Andrews: Your amended FY 1982 budget includes no funds for rail labor assistance. Do you anticipate no need for this assistance? Please provide an estimate (and the underlying assumptions) of possible requests for this labor assistance.

Response: The Department, in its March 31, 1981 report to Congress, Recommendations for Northeast Rail Service, proposes that the existing Title V program be terminated effective October 1, 1981, and that Conrail's services, lines and employees be transferred to other carriers. By October 1, we estimate the costs incurred under Title V will have reached $400 million, which will exceed, by approximately $20 million, the available appropriations, including the Department's requested FY 1981 supplemental of $60 million.

Subsequent to the March 31, 1981, report the Secretary of Transportation submitted a letter dated April 7, 1981, to the Chairman of the House and Senate Budget, Authorization and Appropriations Committees indicating that a total of $400 million would be needed to finance severance pay, retraining and moving expenses under the proposed legislative changes to be submitted.

STATUS OF THE DELAWARE AND HUDSON

Senator Andrews: What is the status of the loan package for the Delaware and Hudson and what do you see as the prospect for a return to self-sufficient operations?

Response: The Delaware and Hudson has been requested to provide additional analysis and information so that final review of the application can be completed. Recent study of restructuring options for the Delaware and Hudson, leads to the conclusion that a self-sufficient Delaware and Hudson Railway Company is dependent upon a general restructuring of rail service in the Northeast. If Congress accepts and acts on the Department's recommendations regarding transfer to a carrier that can provide competitive rail service, the Delaware and Hudson can participate in the transfer of Conrail's properties to other railroads.

Senator Andrews: Does that railroad disagree with your conclusion on the funding needed to reach a normal state of operations?

Response: The railroad has submitted a Five Year Business Plan that suggests that an expanded Delaware and Hudson could become self-sufficient. The United States Railway Association has called the plan, "speculative," and concludes in its Conrail study that, "It would require a number of favorable circumstances to success and would result, at best, in a marginally viable D&H." It is unlikely that the Delaware and Hudson Railway Company can be viable in any form unless it operates in an environment in which Conrail services have been transferred to other carriers.

Senator Andrews: What is the prospect for a merger into the Norfolk and Western?

Response: The Norfolk and Western has resisted voluntary merger with the Delaware and Hudson. The Delaware and Hudson has petitioned the Interstate Commerce Commission for inclusion in the Norfolk and Western/Southern merger. We will have to wait for an ICC decision in the case before a definitive answer is available.

POWDER RIVER COAL PROJECT

Senator Andrews: What is the status of your evaluation of the application for loan guarantees for the Powder River Basin Coal Line Project?

Response: Under section 702(a) of the Staggers Rail Act of 1980, a 75-day deadline from the date of issuance of the final environmental impact statement (EIS) was established for an administrative decision on any application to guarantee loans, the proceeds of which will be used in connection with the "joint ownership, construction or rehabilitation of any facilities" to enable "a second rail carrier to serve the Powder River Coal Region in Montana and Wyoming." We are in the process of updating the EIS to clarify aspects of various project alternatives that have been under consideration and to reflect certain agricultural impact issues required by section 702.

We are continuing to move toward a decision on the pending applications submitted by the Chicago and North Western Transportation Company, Western Railroad Properties, Inc. and WRPI Trust, but it would be premature to conclude what the nature and final timing of that decision may be.

PENN CENTRAL VALUATION SETTLEMENT

Senator Andrews: Describe for the record the status of the Penn Central valuation settlement.

Response: The United States Railway Association, rather than the Department of Transportation, is primarily responsible for conducting the Government's side of the litigation in the Penn Central valuation settlement.

Agreements have been reached with Penn Central and its subsidiaries for a total settlement, to date, of $2,126,069,384.00, for which a supplemental has been requested.

It is clear that the major hurdle has now been cleared with the settlement of the Penn Central claims. It represents the largest and most costly settlement of trustees' claims (the Penn Central has four-fifths of the route mileage of Conrail's predecessors combined). Precedents set in the Penn Central litigation will undoubtedly be used in resolving claims of the remaining trustees.

The Federal Government is still faced, however, with nearly $1 billion in claims by the remaining seven estates. USRA points out that there is yet much to be done before the litigation is settled. USRA is not prepared to estimate when litigation will be complete, but expects to be engaged in litigation through Fiscal Year 1982.

ROCK ISLAND LIQUIDATION/MILWAUKEE REORGANIZATION

Senator Andrews: Please summarize for the record the history and current status of the Rock Island liquidation and the Milwaukee Railroad reorganization.

Response: Rock Island. The Rock Island, which in March 1975 sought protection under section 77 of the Bankruptcy Act, has ceased all rail service and has been ordered by the Reorganization Court to prepare for liquidation.

Following the cessation of services by the Rock Island, directed service order issued by the Interstate Commerce Commission (Commission) maintained nearly all Rock Island rail services for the period October 5, 1979, to March 23, 1980, at a cost to the Government of $80 million. During that period, the Department, pursuant to the authority of sections 5(a)-(d) of the Department of Transportation Act, initiated a series of meetings among rail management, shippers, labor, state and local governments and other interested parties to facilitate the sale and transfer of Rock Island properties to other railroads. Railroad labor and management agreed on labor protection procedures for Rock Island employees hired by acquiring carriers, permitting interim operations to begin when the compensated directed service expired on March 23, 1980.

Currently, other railroads are voluntarily serving 63 percent of Rock Island trackage and 82 percent of the traffic previously handled by the Rock Island without cost to the Government. Thirty percent of Rock Island employees have been hired by interim operators and other carriers and an additional 500 to 1,000 may be hired for traditional spring hiring needs of other carriers. In addition, pursuant to the Rock Island Railroad Transition and Employee Assistance Act (RITEA), the Department is processing applications for Government compensated directed service.

Negotiations for acquisition of segments of the Rock Island are proceeding between the Trustee and interested purchasers. A key investment priority, due to its role in the expeditious movement of Midwest grain, is the purchase and rehabilitation of the former Rock Island main line between Kansas City and Minneapolis/St. Paul.

A major outstanding issue is whether the Rock Island estate will pay $75 million in labor protection for former Rock Island employees. While the Congress (in the RITEA) imposed an obligation on the estate for this purpose, the Reorganization Court and the United States Court of Appeals for the Seventh Circuit have ruled this approach to be unconstitutional. The issue is now before the Supreme Court.

Milwaukee Road. The Milwaukee Road had been through bankruptcy and reorganization twice before entering the present reorganization proceeding in December 1977. As a part of the present proceeding, the former 9,600-mile transcontinental system has been pared to a 3,500-mile regional railroad in the upper Midwest. This "core" strategy was implemented by the Trustee in the spring of 1980, by abandoning all service west of Miles City, Montana, and most of the Milwaukee service in South Dakota and Iowa. Service to major traffic generating points has been continued through sale of facilities to other carriers. The Department strongly supported the Trustee in his efforts to reduce the size of the railroad as a

necessary step in an attempt to reorganize around a smaller "Milwaukee II" core system.

The decision as to whether the Milwaukee Road is reorganizable has not been made. The Commission rejected the Trustee's first reorganization plan based on the Milwaukee II configuration because the proposed reorganized company was projected to have insufficient earnings. The Trustee currently is developing a new plan based upon the actual results of operating the Milwaukee II system over eight months. In a report to the Court on January 15, 1981, the Trustee cited the favorable comparision between a May 15, 1980 operating plan for Milwaukee II and the estimate of actual operations for eight months as the basis for his belief that the railroad was reorganizable. The Trustee is expected to present his reorganization plan to the Court by September 15, 1981.

DEFENSE RAIL NETWORK

Senator Andrews: What role do you see for the Rail Network in terms of planning a defense strategy?

Response: According to the Military Traffic Management Command (MTMC), the Department of Defense's transportation planning and management arm, the Armed Forces would rely on the railroad network heavily for the movement of equipment and supplies during mobilization and hostilities. MTMC does most of its contingency planning directly with the railroad industry. FRA cooperates with MTMC in certain planning and analytic tasks.

Currently the U.S. railroad network does not impose any substantial limitations on defense strategy. Both FRA and MTMC monitor changes in the network to ascertain that limitations are not imposed.

TITLE V OF 4R ACT

Senator Andrews: What has been the emphasis and impact of this program over past years? Please identify all recipients of section 505 loans and the amount they received for FY 80.

Response: Title V assistance has helped to minimize the adverse impact of deferred maintenance on the national rail system by stemming the deterioration of vital segments of high-density main lines indicated in the accompanying map and by providing for rehabilitation of needed equipment which the recipient carriers would not otherwise be in a position to undertake. The projects being financed involve the rehabilitation of 2,900 miles of track, 11,163 freight cars and 148 locomotives.

Recipients of section 505 loans include:

($ Millions)

Carrier	Total Amount of Financing Agreement(s)	Total Drawdowns in FY 80
Chicago, Milwaukee, St. Paul and Pacific Railroad Company	$ 52.6	$ 14.8
Chicago and North Western Transportation Company	147.5	42.0
Columbus and Greenville Railway Company	4.1	0.4
Chicago, Rock Island and Pacific Railroad Company	1.8	-
Illinois Central Gulf Railroad Company	166.4	36.7
Boston and Maine Corporation	26.0	13.9
Peoria and Pekin Union Railway Company	5.7	-
St. Louis Southwestern Railway Company	48.5	-
Total:	$458.3	$107.8

FEDERALLY FUNDED MAINLINE REHABILITATION PROJECTS
Peoria & Pekin Union
$5.7M
Twin Cities
MILW
$52.5M
Albany
Boston
B&M
$26.0M
Fremont
C&NW
$147.5M
Chicago
Peoria
Topeka
Kansas
City
ICG
$166.M
SLSW (SP)
$48.5M
Tucumcari
Greenville
Columbus
MKT
$22.5M
Jackson
Houston
Columbus & Greenville
$4.0M
Legend
Railroad
Amount of Agreement
(Millions)

Senator Andrews: How has the Staggers Act of 1980 changed the purpose and use of Title V monies?

Response: Section 505. The redeemable preference share program is extended for 2 years to September 30, 1982, and an additional $700 million is added to the authorization for this program. Up to $200 million of appropriated funds are reserved for transfer to the United States Railway Association for use by the Consolidated Rail Corporation in establishing a voluntary program to reduce the size of its work force. Not less than 5 percent of available funds are reserved for the purchase or rehabilitation of feeder lines by financially responsible persons. Up to 20 percent of available funds may be extended to employee and employee-shipper ownership groups to fund the purchase or rehabilitation of railroad lines. Railbanking in Montana of former Milwaukee Road lines is made eligible for preference share funding. Funding for noncarrier transactions is increased 50 percent (to no more than $27 million for Milwaukee properties and no less than $38 million for Rock Island properties).

Section 511. The provision making up to $200 million of loan guarantee assistance available to the Consolidated Rail Corporation (Conrail) for electrification projects was extended to other railroads. The guarantee assistance within the $200 million limitation can also be provided for projects involving improvements to coal export facilities, but the effect of the language making this change is that only Conrail is eligible for assistance for the coal facility improvements.

Senator Andrews: Explain the President's budget revision for railroad restructuring assistance and how it may relate to projects that would otherwise have been eligible under local rail service assistance.

Response: The essence of the budget revision is that in conjunction with our recommendation to terminate the local rail service assistance program, $50 million of the FY 1981 appropriation for the program be transferred to the Section 505 preference share program in lieu of requesting a supplemental appropriation of a similar amount for railroad restructuring assistance. Under the "Feeder Line" provisions of the Staggers Rail Act, at least 5 percent of these funds would be available for the acquisition and rehabilitation of much of the universe of lines that has been eligible under the local rail service assistance program.

LOCAL RAIL SERVICE

Senator Andrews: If the local rail service assistance program is terminated, as proposed by the President, what type and magnitude of other federal assistance is available to address the problems of railroad branch line abandonment?

Response: There would be no program to provide operating subsidies. However, under the terms of the Rock Island Transition and Employee Assistance Act: not less than $38 million of Section 505 preference share funding can be made available to non-carrier entities for the purchase and rehabilitation of Rock Island lines; not more than $27 million of preference share funding is available for purchase of Milwaukee lines; and $15 million is available for rail banking Milwaukee lines. In addition, under the Staggers Rail Act, at least 5 percent of funds available under Section 505 can

be used for acquisition and rehabilitation under the Feeder Line provisions of the Act.

Senator Andrews: What projects were funded last year under local rail service assistance and in what amounts?

Response: The types of projects funded during FY 1980 in each State and the amount of funds obligated for each category are shown in the attached charts.

LOCAL RAIL SERVICE ASSISTANCE (GRANTS)
FISCAL YEAR 1980 TOTAL OBLIGATIONS

STATE	PROJECT*	PLANNING	TOTAL
ALABAMA	$ 805,085	$ 100,000	$ 905,085
ALASKA	-0-	100,000	100,000
ARIZONA	605,892	100,000	705,892
ARKANSAS	805,085	100,000	905,085
CALIFORNIA	1,414,686	100,000	1,514,686
COLORADO	805,085	100,000	905,085
CONNECTICUT	843,241	61,844	905,085
DELAWARE	63,000	33,386	892,029
DIST. OF COLUMBIA	-0-	-0-	-0-
FLORIDA	892,306	100,000	992,306
GOERGIA	805,085	100,000	905,085
IDAHO	1,256,485	-0-	1,256,485
ILLINOIS	5,225,543	-0-	5,225,543
INDIANA	3,128,837	-0-	3,128,837
IOWA	6,900,937	363,207	7,264,144
KANSAS	-0-	100,000	100,000
KENTUCKY	1,072,090	-0-	1,072,090
LOUISIANA	812,155	100,000	912,155
MAINE	830,085	75,000	905,085
MARYLAND	1,495,011	-0-	905,085
MASSACHUSETTS	905,085	-0-	905,085
MICHIGAN	4,037,852	-0-	4,037,852
MINNESOTA	4,325,566	182,800	4,508,366
MISSISSIPPI	1,882,839	100,000	1,982,839
MISSOURI	2,037,717	107,248	2,144,965
MONTANA	3,247,688	181,457	3,629,145
NEBRASKA	-0-	100,000	100,000
NEVADA	905,085	-0-	905,000
NEW HAMPSHIRE	805,085	100,000	905,000
NEW JERSEY	811,640	93,360	905,000
NEW MEXICO	-0-	100,000	100,000
NEW YORK	2,777,506	146,184	2,923,690
NORTH CAROLINA	863,153	41,932	905,085
NORTH DAKOTA	642,310	100,000	1,642,310
OHIO	3,003,549	-0-	3,003,549
OKLAHOMA	1,241,078	100,000	1,341,078
OREGON	803,650	50,000	853,650
PENNSYLVANIA	2,620,286	-0-	2,620,286
RHODE ISLAND	905,085	-0-	905,855
SOUTH CAROLINA	-0-	100,000	100,000
SOUTH DAKOTA	6,038,001	259,926	5,197,927
TENNESSEE	905,085	-0-	905,085
TEXAS	2,306,544	121,397	2,427,941
UTAH	-0-	100,000	100,000
VERMONT	876,285	28,800	905,085
VIRGINIA	1,110,802	-0-	905,085
WASHINGTON	2,569,480	77,800	2,647,280
WEST VIRGINIA	905,085	-0-	905,085
WISCONSIN	5,003,589	156,800	5,160,389
WYOMING	-0-	-0-	-0-
TOTAL	$79,290,653	$3,781,141	$83,071,389

* Broken down by category on page 2

LOCAL RAIL SERVICE ASSISTANCE (GRANTS)
FISCAL YEAR 1980 PROJECT FUNDING BY CATEGORY

STATE	REHABILITATION	RAIL FACILITY CONSTRUCTION	SUBSTITUTE SERVICE	ACQUISITION	OPERATING SUBSIDY	TOTAL
ALABAMA	$ 805,085					$ 805,085
ALASKA						-0-
ARIZONA	605,892					605,892
ARKANSAS	805,085					805,085
CALIFORNIA	1,242,450	$ 172,236				1,414,686
COLORADO		805,085				805,085
CONNECTICUT				$ 293,515	$ 594,726	843,241
DELAWARE					63,000	63,000
DIST. OF COLUMBIA						-0-
FLORIDA	892,306					892,306
GEORGIA	805,085					805,085
IDAHO	1,256,485					1,256,485
ILLINOIS	2,190,000	48,000		44,800	2,942,743	5,225,543
INDIANA	1,691,224				1,437,613	3,128,837
IOWA	6,900,937					6,900,937
KANSAS						-0-
KENTUCKY	1,072,090					1,072,090
LOUISIANA	812,155					812,155
MAINE	672,364			13,454	144,267	830,085
MARYLAND					1,495,011	1,495,011
MASSACHUSETTS					905,085	905,085
MICHIGAN					4,037,852	4,037,852
MINNESOTA	4,325,566					4,325,566
MISSISSIPPI	1,882,839					1,882,839
MISSOURI	2,037,717					2,037,717
MONTANA	3,247,688					3,247,688
NEBRASKA						-0-
NEVADA		905,085				905,085
NEW HAMPSHIRE				600,000	205,085	805,085
NEW JERSEY	619,612			1,915	190,113	811,640
NEW MEXICO						-0-
NEW YORK			$1,133,236		1,644,270	2,777,506
NORTH CAROLINA	863,153					863,153
NORTH DAKOTA	412,390		229,920			642,310
OHIO	1,947,803	55,325			1,000,421	3,003,549
OKLAHOMA	566,206			674,872		1,241,078
OREGON	803,650					803,650
PENNSYLVANIA	82,432		87,929		2,449,925	2,620,286
RHODE ISLAND	905,085					905,085
SOUTH CAROLINA						-0-
SOUTH DAKOTA	5,038,201		999,800			6,038,001
TENNESSEE	452,463				452,622	905,085
TEXAS	2,306,544					2,306,544
UTAH						-0-
VERMONT	876,285					876,285
VIRGINIA					1,110,802	1,110,802
WASHINGTON	2,569,480					2,569,480
WEST VIRGINIA	404,068				501,017	905,085
WISCONSIN	3,939,410				1,064,179	5,003,589
WYOMING						-0-
TOTAL	$53,031,750	$1,985,731	$2,450,885	$1,628,556	$20,193,731	$79,290,653

TITLE V OF 4R ACT

Senator Andrews: Please provide for the record a list of all applications made in 1980 for section 505 and section 511 assistance. Include the name of the applicant, date of the application, the amount requested, the amount granted and briefly describe the project.

Response: The information follows;

RAILROAD REVITALIZATION AND REGULATORY REFORM ACT OF 1976
APPLICATIONS SUBMITTED - FY 1980

($ Millions)

Name of Applicant	Date of Application	Amount Requested	Description of Project
Section 505			
Columbus and Greenville Railway Company	12/19/79	$ 3.5	Track rehabilitation - main line in Mississippi.
St. Louis Southwestern Railway Company	3/28/80	66.0[1]	Track rehabilitation - Tucumcari line.
State of Montana (Montana Railway Corporation)	6/12/80	18.0	Acquire Milwaukee trackage in Montana, Idaho and Washington.
Delaware and Hudson Railway Company	8/08/80	115.6	Track rehabilitation - main line in Pennsylvania and New York.
Atlantic Pacific Railway Corporation	8/15/80	125.0	Acquire and rehabilitate Rock Island east-west main line.
TeCe Corporation	8/19/80	3.1	Acquire Rock Island line and properties in Kansas and Texas.
Green Bay Packaging Inc./Little Rock & Western Railway Corporation	8/22/80	6.6	Acquire and rehabilitate Rock Island trackage in Arkansas.
Mid States Port Authority	9/10/80	10.1	Acquire and rehabilitate Rock Island trackage in Colorado, Nebraska and Kansas.
Northeast Iowa Shippers Association and B-T-H-G Rail Improvement Association.	9/08/80	9.2	Acquire Rock Island trackage in Iowa.

($ in Millions)

Name of Applicant	Date of Application	Amount Requested	Description of Project
City of Sibley	9/06/80	$ 0.8	Acquire and rehabilitate Rock Island trackage in Sibley, Iowa.
Royal-Manson Shippers Association, Inc.	9/09/80	8.7	Acquire and rehabilitate Rock Island trackage in Iowa.
North-South Development Corporation	9/10/80	6.2	Acquire and rehabilitate Rock Island trackage in Arkansas and Louisiana.
Des Moines Metropolitan Transit Authority	9/10/80	2.9	Acquire and rehabilitate Milwaukee trackage in Des Moines area.
Panhandle Regional Planning Commission	9/10/80	3.3	Acquire and rehabilitate Rock Island trackage in Texas.
Iowa Falls Western Holding Co., Inc.	9/10/80	24.7	Acquire and rehabilitate Rock Island trackage in Iowa.
Arkansas and Oklahoma	9/10/80	51.2	Acquire and rehabilitate Rock Island lines in Arkansas, Oklahoma and Louisiana.
Shelton-Davis Transportation Corporation	9/10/80	16.3	Acquire and rehabilitate Rock Island lines in Oklahoma.
Gateway Railroad Corporation	9/07/80	50.0	(Application withdrawn).
Beaverville Grain and Lumber Company	9/10/80	2.7	Acquire Milwaukee trackage in Illinois.

($ in Millions)

Name of Applicant	Date of Application	Amount Requested	Description of Project
Southeast Iowa Shippers Association	9/10/80	$ 3.0	Acquire Rock Island trackage in Iowa.
Regional Transportation Authority (Chicago)	9/10/80	38.0	Acquire and rehabilitate Rock Island trackage between Chicago and Joliet.
The Continental Group, Inc.	9/10/80	1.7	(Application withdrawn)
Beverly-Royal Slope Port	9/10/80	1.8	Acquire Milwaukee trackage.
Port of Pend Oreille	9/10/80	0.1	Acquire and rehabilitate Milwaukee trackage.
Earth Products, Inc.	9/10/80	13.3	Acquire Milwaukee trackage in Illinois.
Trans-Con Services, Inc.	9/08/80	12.2	Acquire and rehabilitate Rock Island trackage in Louisiana and Arkansas.
Total;		$594,0	
Section 511			
Chicago and North Western Transportation Company.	12/21/79	25.2[2]	Rehabilitation of freight cars.
Chicago, Milwaukee, St. Paul and Pacific Railroad Company	1/10/80	75.0[3]	Labor protection funding.
Regional Transportation Authority (Chicago)	5/08/80	46.0	Acquire and rehabilitate Rock Island trackage between Chicago and Joliet.
The Apache Railway Company	5/06/80	2.9	(Application withdrawn.)

($ in Millions)

Name of Applicant	Date of Application	Amount Requested	Description of Project
State of Montana (Montana Railway Corporation)	6/12/80	32.0	Acquire Milwaukee trackage in Montana, Idaho and Washington.
Escanaba and Lake Superior Railroad Company	9/23/80	2.5	Acquire Milwaukee trackage in Michigan.
Total:		$183.6	

[1]Agreement providing $48.5 million executed 9/29/80.

[2]Agreement providing $25.2 million executed 5/20/80.

[3]Agreement providing $75.0 million executed 3/3/80.

MINORITY BUSINESS RESOURCE CENTER

Senator Andrews: What has been the impact of the Minority Business Resource Center?

Response: Prior to the establishment of the Minority Business Resource Center (MBRC) in the summer of 1976, the railroad companies reported virtually no contract awards to minority businesses. Consequently, the minority business sector did not pursue contracting opportunities with this multi-billion dollar industry. With the establishment of the MBRC's marketing assistance, field outreach, financial assistance and technical assistance programs, a progressive increase in the dollars awarded to the minority business sector has occurred, as depicted by the following chart:

1977	$ 43,000,000
1978	152,000,000
1979	223,000,000
1980	200,000,000

For calendar 1979 minority business enterprises (including women-owned businesses) received 7.9% of total railroad procurements awarded. For calendar year 1980 minority and women-owned business enterprises received 11.5% of total procurements awarded. The decrease in actual contract dollars in 1980 reflects a significantly reduced level of overall railroad expenditures. FRA is approaching achievement of the 15% goal for minority and women-owned business participation in contracts and subcontracts awarded by Federally assisted railroads.

In addition, these programs have also enabled minority firms to enter markets, which were inaccessible to them, e.g., cross ties, spikes, freight car repair and rail food services.

Senator Andrews: What plans do you have to fund the Center in FY 1982?

Response: The Federal Railroad Administration will provide $9,460,000 in allocation and reimbursement funds to OST to support non-rail specific functions and retain $490,000 to maintain the rail recipient monitoring and evaluation system.

R&D REDUCTION

Senator Andrews: How would you allocate the impact of a further 20% reduction in research and development if such a cut were to be made in the FY 1982 budget?

Response: To achieve another $10 million reduction in R&D we would review all of our R&D projects to determine which projects could be best carried out by the railroad industry in light of the economic restrictions and completely eliminated without undue problems accruing to the industry or deferred to another fiscal year if cost-beneficial to warrant retaining it. One of the candidate projects is the Facility for Accelerated Service Testing (FAST) which is budgeted under the Safety Testing subprogram at $9,135,000 in FY 1982.

IMPACT OF THE ALASKA LANDS BILL

Senator Andrews: What is the impact of the Alaska Lands Bill on the Alaska Railroad? What is the possibility that vital railroad lands may be claimed by native corporations and what is your recommendation?

Response: The primary purpose of the Alaska Lands Bill that became law at the end of the last Congress, is to preserve over 100 million acres of Federal lands in Alaska as National Conservation areas. The law also includes provisions that amend the Alaska Native Claims Act of 1971 by expanding existing authority for several Native Corporations to select Federal agency land holdings. DOT has attempted in the last few years to have Alaska Railroad lands that are used to support its operations exempted from Native selection. This effort has not been successful and last fall the Department of the Interior published regulations that make over 20% of the Railroad's land holdings, including significant portions of the Railroad's gravel reserves, leased lands, and roadbed eligible for Native selection. The Alaska Lands bill does not improve the likelihood that these lands will be exempted and may even increase, to some degree, the possibility that vital Railroad lands will be conveyed to Native Corporations. Unless Interior is willing to change its regulations, it will be necessary to seek legislation to exempt the Railroad from Native claims so that the Railroad will remain intact for future operation as an economically viable rail carrier.

CONRAIL

Senator Andrews: What would be the annual savings to Conrail if Conrail's current labor cost ratio of 56% were brought down to the alleged average industry ratio of 48%?

Response: As Conrail points out in its March 15 Labor Report to Congress, and as the Corporation's financial statements for 1980 bear out, an 8-point reduction in its labor ratio would produce annual savings on the order of $300 million in 1980 dollars.

Senator Andrews: What actions have you taken in the past, and are you currently taking, to reduce Conrail's labor cost ratio?

Response: As a private corporation, it is Conrail's responsibility to take direct actions to reduce its labor ratio. These actions can include the revision of labor agreements at the collective bargaining table, as Conrail's crew consist agreement (reducing train crews under certain circumstances) exemplifies. Management also has the freedom to make capital investments and other changes to reduce the labor-intensiveness of operations, and to adjust labor force levels to traffic volumes.

Senator Andrews: It has been said by some that out of Conrail's 17,000 mile system, 3,000 miles of its track produces 75% of its revenue. Do you concur with this assessment? Assuming there is some truth to the estimates, what measures could be taken to eliminate the use and maintenance of the less productive part of the system?

Response: USRA has indeed asserted that, under the service transfer scenario it studied, it would be possible for other carriers to acquire 75 percent of Conrail's traffic by purchasing roughly 3,000 route-miles of the existing Conrail system. Since Conrail service is duplicated by major Eastern District carriers in major markets west of Buffalo and Pittsburgh, we believe USRA's conclusion is technically correct. However, in view of the $2.1 billion Federal investment to date in rehabilitating and bettering Conrail's physical facilities, and in view of the drastic reductions in rail-to-rail competition that such a plan would entail, we cannot accept the USRA scenario. Conrail, too, argues that such a solution (USRA's service transfer plan) would result in a large residual group of disconnected lines ... leaving the Government with no reasonable option but to terminate service on lines not acquired. Conrail has developed scenarios involving the transfer of 14,000 to 15,000 route-miles to eastern and western carriers.

The DOT report, through a set of maps showing the flow of other carriers' traffic over the Conrail system, graphically demonstrates the self-interest other railroads would have in purchasing large segments of Conrail's lines. We recognize that a small proportion of Conrail's route-mileage may be inherently unprofitable, and that--if remedial measures such as surcharges and conversions to private short lines fail--abandonment may be the only solution. Nevertheless, we maintain that an appropriate transfer plan would include both lines and service; that such a plan is feasible; and, that it would leave a smaller residual mileage than a "cherry-picking" or "fire sale" plan.

Senator Andrews: What are the problems which might be faced by those areas served by the estimated 14,000 miles of the less profitable part of the system? What are your recommendations regarding this suggestion?

Response: The Department does not foresee a loss of rail service on 14,000-miles from the transfer of Conrail's lines to other carriers. Conrail has stated that about 2,400 miles of its lines are hopelessly unprofitable, and it would be reasonable to expect that roughly this mileage will be ultimately abandoned. The DOT report (Appendix D), identifies approaches for dealing with the problems of those few shippers who are left without direct rail service. Examples include trailer-on-flat-car service, pressurized loading of bulk commodities, distribution centers, and rail/highway transfer facilities. In many cases, we believe that these alternative approaches

for service to low-density shippers would actually improve, rather than aggravate, their total distribution costs.

Senator Andrews: Please provide for the record, your evaluation of Conrail's possible reduction in force and abandonment of track mileage as it relates to labor costs? What do you estimate the labor costs to be of reducing 40 percent of the least profitable track mileage? What is your estimate of the labor protection costs associated with termination of the first 10,000 Conrail positions? Do the figures differ for the second 10,000?

Response: It is not possible to accurately estimate the number of employees, along with their protection costs, who would be affected by the abandonment of a specific percentage of Conrail's least profitable trackage. A comprehensive manpower inventory of each of Conrail's lines would be necessary to assess the expected impact. Conrail's systemwide employment averages 4 employees per track mile.

Under existing labor protection legislation (Title V of the 3R Act) and agreements, the cost of terminating the first 10,000 lower seniority Conrail positions is estimated be $225 million in the first year and $1.4 billion over the first 10 years (1981 dollars). The cost of terminating an additional 10,000, with slightly greater seniority, would be $275 million in the first year and $1.5 billion over the first 10 years (1981 dollars). However, the Department is proposing repeal of the Title V labor protection legislation and the enactment of a new program. The total cost of that program will be $400 million.

Senator Andrews: Conrail's March 15, 1981 labor report to Congress concludes that reductions in freight employment necessary to achieve profitability could exceed $200 million per year in employee protection liability. If actions are not taken to assure profitability, the report concludes that this liability could exceed $3 billion. Mr. Administrator, what is your assessment of this conclusion?

Response: The estimate of the labor protection liability cited in the Conrail March 15, 1981 Labor Report are consistent with the estimates the Federal Railroad Administration has developed. The existing labor protective arrangements mandated by Title V of the 3R Act are such that any savings Conrail obtains by reducing freight employment are offset by increased labor protection costs. The Department is recommending that Title V be repealed, and that employees who lose their jobs through restructuring of Conrail or transfer of its lines and services to other railroads be provided with one-time severance payments similar to those provided Milwaukee Railroad employees.

Senator Andrews: Please describe in detail the pilot program mentioned in conjunction with Conrail on page 12 of the Administrator's prepared statement.

Response: The Staggers Act authorized Federal funding for a Conrail work force reduction program which will result in substantial savings to the United States. Funding a pilot program in FY 1981 would test the effectiveness of targeting funds to reduce the number of certain categories of employees and their jobs. The trial nature of the program would permit us to ascertain the savings accruing to the Government while limiting the Federal financial exposure.

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Conrail's initial planning for a work force reduction program emphasizes train and engine crews. The details of the proposal have not been finalized, agreed to by its labor organizations or accepted by the Government.

AMTRAK

Senator Andrews: What do you perceive to be the future role of Amtrak? What should the route structure look like five years from now?

Response: The future role of Amtrak, a system which is so dependent on large and continuing federal subsidy, must be shaped on the basis of identifying those lines which provide a national public benefit otherwise unavailable at a price commensurate with rail subsidy costs. Ten years of Amtrak financial and operating experience indicate that such lines exist on the Northeast Corridor and possibly other high density corridors where the elimination of rail service could not be accomplished unless major investments were made to alternate facilities or where there are significant energy savings considerations. Long distance service is the most costly, least energy efficient service in the Amtrak system. It often competes directly and poorly with private sector modes, and its benefit to the nation is far outweighed by its costs. Because Amtrak is a system supported by the nation's taxpayers, its involvement in local commuter service should be discontinued. For commuter service Amtrak is forced to operate, it should be subsidized by State or local agencies for 100 percent of the capital costs and fully allocated losses of such operation.

Senator Andrews: What Federal legislative authority would be required for states to implement their own rail passenger program with powers and rights similar to those of Amtrak? Do you have a specific legislative proposal in this regard?

Response: The Rail Passenger Service Act authorizes only Amtrak to provide the type of intercity rail passenger service with powers and rights similar to Amtrak. Section 401(c) of the Act prevents another railroad or person from operating service on an Amtrak route unless Amtrak gives its permission. A state may initiate service on any other route but not with the same protection enjoyed by Amtrak. In order for the states to implement similar programs, the Rail Passenger Service Act would need to be amended. The Federal Railroad Administration does not have a specific legislative proposal in this regard.

Senator Andrews: What suggestions for improved profitability do you have for Amtrak?

Response: There are three general areas of opportunity for improving Amtrak profitability: route discontinuances; cost reductions; and revenue increases. The elimination on October 1, 1981, of those routes which have failed to meet Congressionally-set ridership and financial criteria will improve profitability by allowing Amtrak to concentrate its resources in areas where there is a clearer need for its services. Similarly, instituting a 50 percent revenue/cost ratio criterion by which the system is evaluated annually would provide both a goal for improvement and a basis for further route discontinuances. Cost reductions can be effected by negotiating new labor contracts, by taking measures to reduce on-board service expenses associated with dining car and sleeping car service, and by

controlling equipment costs by improving preventive maintenance and passenger car utilization. Revenue increases can be realized by increasing fares to keep pace with inflation and demand, by more judicious use of discounts, and by improved marketing practices.

Senator Andrews: What is your assessment of Amtrak's ability to assume the passenger responsibilities now being performed by Conrail? What are the impediments to such a transfer? Would you recommend it? Why?

Response: Under the Administration's proposed legislation, Amtrak would be authorized to continue operating commuter service only if a State (or local or regional transportation agency) reimburses the corporation for the fully allocated cost of such service.

Many of the commuter services now being operated by Conrail (e.g., the Reading Division in Philadelphia and the Hoboken Division in North Jersey) are on lines where Amtrak currently does not operate. Therefore, we can see little cost advantage to the local subsidizer shifting from Conrail to Amtrak and no significant operating advantages.

As Alan Boyd has testified, Amtrak would need to have the following conditions met before it could get into the commuter services: state or local capital for equipment, a dependable operating loss source, additional maintenance facilities, a limit to the number of employees brought on from Conrail and agreement by the commuter authorities as to the conditions.

Therefore, I would recommend the commuter authorities consider the New Jersey proposal for an intrastate compact or consider direct operation by each subsidizer before Amtrak take over.

Senator Andrews: Is it still your intention to comply with the provision in last year's bill, "that all public at-grade-level crossings remaining along the Northeast Corridor upon completion of the project shall be equipped with protective devices including gates and lights?" What progress have you made in this regard?

Response: Yes, it remains FRA's intention to fully comply with the law's provision.

To date efforts have been focused on the elimination of grade crossings. As a result of funding limitations, 15 at grade-level crossings, which were originally scheduled for elimination, will remain at grade. All but three of these crossings are already protected by gates and/or flashers. The remaining public crossings, which includes the public grade crossings in New London, will receive protective devices during FY 1982 or 1983. Preliminary engineering is underway.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now recess.

[Whereupon, at 11:45 a.m., Monday, March 23, the subcommittee was recessed, subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

WEDNESDAY, MARCH 25, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1223, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Chiles, Byrd, and Abdnor.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

STATEMENT OF RAY BARNHART, ADMINISTRATOR

ACCOMPANIED BY:
LORENZO CASNOVA, ASSOCIATE ADMINISTRATOR FOR SAFETY
DANIEL MARKOFF, ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION
LES LAMM, EXECUTIVE DIRECTOR
LEE MERTZ, DIRECTOR OF THE OFFICE OF PROGRAM AND POLICY PLANNING
MORRIS REINHARDT, DIRECTOR OF THE OFFICE OF ENGINEERING
GERALD LOVE, ASSOCIATE ADMINISTRATOR FOR RESEARCH AND DEVELOPMENT
DOWELL ANDERS, ACTING CHIEF COUNSEL

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning, we are to hear the Federal Highway Administration of the Department of Transportation. We have with us Mr. Ray Barnhart, the Federal Highway Administrator. Welcome to our subcommittee.

PREPARED STATEMENT

If you would introduce your cohorts and proceed to summarize your statement which we have, and which will appear in full in the record, we'll be glad to have you begin.

Mr. BARNHART. Thank you, sir.

[The statement follows:]

Statement of Ray A. Barnhart

This is my first opportunity to appear before this Committee since being sworn in as Federal Highway Administrator last month. I look forward to working with this Committee in a cooperative and constructive manner both during our hearings today and in the months and years ahead. Accompanying me are the FHWA program managers who will provide the expertise required in responding to inquiries regarding the many areas of interest to this Committee. Since I will call upon them to expand on my remarks and provide details on items of particular concern, I would like to introduce them at this time:

Before presenting the various elements of our F.Y. 1982 Budget Request , I believe it would be appropriate at this time to discuss our proposed legislative package for the federal highway program, because the budget follows the legislative framework. At the time this statement was printed, not all elements of the legislation had been decided, and details may be different in the legislation which is finally proposed. Our budget request will not be affected by any late changes in details of legislation, however.

PROPOSED LEGISLATION

Although our proposed legislation affects several FHWA appropriation accounts, the primary impact will be reflected in the Federal-aid Highways account and I will, therefore, initially address the various legislative proposals as they pertain to this program. I realize that a large volume of numbers are very difficult to follow, but given the significance of these various changes in categories for the Federal-aid account and the authorization levels, I have included a comparison table for the record as a part of this statement. I will not, however, burden the Committee by reading it.

Authorizations ($ 000) 1/

	1978 Surface Transportation Assistance Act		1981 Highway Legislation	
			Carter	Reagan
Program Category	F.Y. 1981	F.Y. 1982	F.Y. 1982	F.Y. 1982
Interstate	3,500,000	3,200,000	3,500,000	3,300,000
Interstate 1/2% Minimum	125,000	125,000	...	...
Interstate 4R	275,000	275,000	1,400,000	800,000
Primary	1,800,000	1,500,000	1,800,000	1,500,000
Secondary (Rural)	600,000	400,000	700,000	700,000
Urban	800,000	800,000	900,000	900,000
Forest Highways	33,000	33,000	50,000	34,000
Public Lands Highways	16,000	16,000		16,000
Economic Growth Center Hwy.	50,000	50,000	...	...
Emergency Relief	100,000	100,000	150,000	150,000
Bridge	1,300,000	900,000	1,200,000	900,000
Pavement Marking	65,000	...	...	...
Hazard Elimination	148,040	197,333	...	...
Rail Highway Crossings	190,000	190,000	...	...
Consolidated Safety	...	...	500,000	...
Integrated Motorist Info.	26,000	...	...	...
Bypass Highway	20,000	...	...	...
TOTAL, F-A-H	9,048,040	7,786,333	10,200,000	8,300,000

1/ Authorizations shown for the fiscal year in which they become available for obligation as opposed to the fiscal year for which they are authorized.

As evidenced by the proposed categorical authorizations above, we intend to give high priority to the Interstate and primary systems, and continue the bridge program as a high priority program. These changes are being made giving recognition to the Federal role, while at the same time reducing the authorizations from the level as proposed by the previous Administration.

In addition to those proposed revisions as shown in the previous table, we are requesting: (1) an extension of the Highway Trust Fund which will support the proposed authorization levels; (2) a new definition of cost to complete the Interstate system, including only those items required to provide a uniform level of acceptable service on a safely operating system; (3) Interstate 3R expansion to include reconstruction and work no longer eligible for Interstate construction funding; (4) the elimination of the authorizations for the categorical safety programs in F.Y. 1982 and the phasing out of the urban and secondary programs over the next three years; and (5) no authorizations for ineffective or specially funded programs that are not considered to be a federal responsibility, such as the Great River Road, Highway-Related Safety Grants, Safer Off-System Roads, Access to Lakes, and Railroad Highway Crossing Demonstrations. The new Interstate completion definition will allow us to complete the system within existing authorizations and by the 1990 deadline.

It is emphasized that highway projects on a Federal-aid system which are currently funded under programs being eliminated will continue to be eligible for funding within the proposed Federal-aid Highway categories. If these projects are not on a federal system, the State and/or local authorities must assume any additional funding.

It should also be noted that our legislative proposal includes an open-ended authorization from the Highway Trust Fund for Interstate Transfer Grants for highway substitutions in F.Y. 1982; and a $215 million authorization from the Highway Trust Fund for the Appalachian Highway in 1982. The proposal makes no provisions for the Territorial Highway program, since this activity can be made eligible for funding within the Territorial program administered by the Department of Interior in 1982.

Bases for the F.Y. 1982 Budget

Our F.Y. 1982 Budget Request is based primarily on the Administration's proposed highway legislation. This legislation would produce budget authority savings of more than $11 billion dollars through 1986; would increasingly focus Federal attention and dollars on the higher priority Interstate and primary systems; and would allow the State and local governments to assume more responsibility for their highway programs. After 1983, no new authorizations are proposed for the urban and secondary programs which will effectively become a State and local responsibility. The F.Y. 1982 budget savings as a result of this new legislation and amended budget are an important portion of the President's Budgetary Reform and Economic Recovery Programs. Having worked very closely on this legislation and budget, I am convinced that the F.Y. 1982 Budget now before you represents a desirable balance between the need to curb Federal spending and the need to ensure that our present highway transportation network will be preserved.

Another critical element of the President's economic program is the control and reduction of Federal overhead expenses. As you know, there has been a hiring freeze placed on Federal employment, as well as stringent controls on spending for travel, consulting services, and furniture and equipment. Consistent with these guidelines, we have reduced our budget requests for F.Y. 1981 pay act supplementals and are proposing a significant reduction in dollars requested for administrative expenses in 1982 compared to the previous Administration's budget.

F.Y. 1980 Accomplishments

Since arriving in Washington, I have spent the majority of my time reviewing the operations of the Federal Highway Administration. I am very impressed with the organization, its programs, and with the capabilities of the men and women who make it run. I consider it one of the outstanding Federal agencies. Prior to discussing our 1982 budget request, I would like to mention a few of the F.Y. 1980 accomplishments as well as some of our emphasis areas for the current and future years.

- o Program Level

  Obligations for "Federal-aid Highways" in 1980 reached almost $8.1 billion, which was the second highest level in program history.

- o Interstate System

  An additional 350 miles were put into service, another 180 miles of gaps were put under contract, leaving only about 1,500 miles to be completed.

- o Interstate 3R

  Resurfacing, restoration, and rehabilition were again emphasized -- obligations for these activities totalled about $143 million.

- o Bridge Replacement and Rehabilitation

  In the Highway Bridge Replacement and Rehabilitation Program, obligations amounted to nearly $775 million in F.Y. 1980. This program is being emphasized by the FHWA and we will continue to give it high priority in the future.

- o Highway Safety

  More than $450 million was obligated for the various highway safety programs in 1980.

- o Motor Carrier Safety

  Management audits of carrier and shipper safety practices continued at a high level together with increased levels of inspections, which resulted in a higher number of vehicles and drivers placed out of service.

o FHWA's Minority Business Enterprise Program (MBE)

The FHWA has pursued a program to increase MBE participation in highway construction. During F.Y. 1980, contracts totalling approximately $287 million were granted to minority firms in the Federal-aid program, a substantial increase over F.Y. 1979.

Current and Future Emphasis

In fiscal years 1981 and 1982, we will continue to emphasize programs whose goals are important to the national interest in highways. These programs include:

- o Interstate System
- o Primary System
- o Bridges
- o Interstate Reconstruction
- o Regulation Reduction
- o Energy conservation
- o Motor Carrier Safety
- o System Operation and Management

Summary of the Budget

I will now summarize our F.Y. 1982 Budget Estimate and highlight a few key elements, and indicate reasons for revisions to the previous Administration's F.Y. 1982 Budget Estimates, transmitted to the Congress in January.

o Program Level

Program levels, or obligations, are the most meaningful indicator of budget activity. We anticipate total obligations of about $8.74 billion in F.Y. 1982, which includes $8.3 billion for the Federal-aid Highways account; $200 million for Interstate Transfer Grants; and $215 million for the Appalachian Highway System.

I would point out that our total obligation level is approximately $1.8 billion less than the F.Y. 1982 budget submitted by the previous Administration.

o Staffing

Consistent with the President's programs for stabilizing the economy and reducing the size of the federal workforce, we have reduced the F.Y. 1981 and F.Y. 1982 requests for personnel resources. In F.Y. 1981, we are reducing full-time permanent positions from 4,198 to 3,997 and end-of-year employment from 4,013 to 3,812, a reduction of 201 in both categories. The economies resulting from this staffing reduction serve to reduce our F.Y. 1981 pay raise requirements. In F.Y. 1982, we propose to reduce full-time permanent positions from 4,253 to 3,681 and end-of-year employment from 4,068 to 3,496, a reduction of 572 in both categories. The resulting savings were used to reduce financial requirements in F.Y. 1982.

KEY ELEMENTS

o Federal-aid Highways

This, of course, is our principal program which provides the basic foundation of the Government's efforts to assist States and localities in developing the national highway system.

The budget contains a general provision which limits obligations to $8.15 billion with the Emergency Relief Program being exempt. This is $1.9 billion below the level proposed by the previous Administration. Let me mention some of the underlying philosophy regarding this lower level. First, consistent with the President's program of reducing Federal spending, the financial constraints which have applied to all of Government must also be applied to Federal-aid Highway programs. Secondly, the Federal focus on highways must be redirected to concentrate on only those programs where there is Federal interest and conversely reduce funding for those projects which are not properly the Federal role, i.e., those that should be the responsibility of the State and local governments.

o Interstate Transfer Grants (Highways)

Beginning in F.Y. 1982, we are proposing to include funding from the Highway Trust Fund for highway substitute projects in the Federal Highway Administration Budget. Through F.Y. 1981, the Urban Mass Transportation Administration received an appropriation from general funds which provided for both mass transit and highway substitute projects. This change is being proposed primarily because it is more equitable for the user supported Highway Trust Fund to finance highway improvements made under the authority of the Interstate withdrawal law.

The amount of our request for this program is $200 million, a reduction of $100 million from the January budget.

o Appalachian Development Highway

Given the President's proposal to abolish the Appalachian Regional Commission and to transfer the highway activities to the Department of Transportation, funding for the Appalachian highway program is being included in FHWA's budget. Accordingly, we are requesting $215 million in F.Y. 1982 for this program to be derived from the Highway Trust Fund.

o Other Programs

There are several programs proposed in the F.Y. 1982 Budget previously transmitted which have been eliminated from our amended request. Let me mention them briefly; the $7.2 million for Territorial Highway program has been eliminated because highway projects could be eligible for funding under another program administered by the

Department of Interior; the request for the National Scenic and Recreational Highway, better known as the Great River Road, is being eliminated because virtually all work on this program is eligible under other highway authorizations and because there is no realistic hope of financing the $1.4 billion cost-to-complete through a separate appropriation; and finally the request for the Highway-Related Safety Grant program is eliminated.

The 1982 budget, with the exception of certain personnel reductions, continues funding of General Operating Expenses, Motor Carrier Safety and Highway Research and Development, at the same basic level as provided in F.Y. 1981.

o F.Y. 1981 Supplemental Appropriation Requests

Included in the F.Y. 1982 budget are three requests for F.Y. 1981 liquidating cash supplemental appropriations; (1) Federal-aid highways, $1.25 billion; (2) Highway-Related Safety Grants, $12 million; and (3) National Scenic and Recreational Highway, $7 million. These supplemental appropriations are necessary due to higher than anticipated outlays in F.Y. 1980 which resulted in lower carry-over cash balances into F.Y. 1981 than will be required to fund outlays as currently projected.

Also included is a supplemental appropriation request of $7.5 million for the Darien Gap Highway program. This supplemental is to reimburse the United States' two-thirds share of construction costs for which Panama has previously provided 100% funding.

Conclusion

These are some of the basic conditions and highlights of our budget estimate. My colleagues and I will be happy to discuss the estimates in detail, answer your questions, and provide additional information that may be helpful to you in reaching decisions on our budget request.

INTRODUCTION OF ASSOCIATES

Mr. BARNHART. Over to my left is Mr. Casanova, who is Associate Administrator for Safety, and Mr. Markoff, who is Associate Administrator for Administration and, of course, Les Lamm, who is the Executive Director and has been for a number of years.

To my right is Lee Mertz, Director of the Office of Program and Policy Planning and on down, there, is Morris Reinhardt, Director of the Office of Engineering, and Gerald Love, who is Associate Administrator for Research and Development; and, then, our Acting Chief Counsel, Dowell Anders.

LEGISLATIVE PROGRAM

I would like to submit the longer statement for the record and, then, I would like to discuss our proposed legislative package for the Federal highway program.

Although our proposed legislation affects several FHWA appropriation accounts, the primary impact will be reflected in the Federal-aid highways account, so I would like to begin there.

FEDERAL-AID HIGHWAYS

We are proposing authorizations totaling $8.3 billion for Federal-aid highways for fiscal year 1982. This is a reduction of $1.9 billion from the authorization level proposed in January by the previous administration. As you know, the Surface Transportation Assistance Act currently authorizes almost $7.8 billion for fiscal year 1982. Underlying the change in authorizations are important changes in program emphases. Primarily, we intend to give high priority to the Interstate and primary systems, and continue the bridge program as a high priority program. These changes are being made to give recognition to the Federal role while, at the same time, reducing the authorizations from the level as proposed by the previous administration.

KEY ELEMENTS OF LEGISLATION

The legislative program that we are proposing also contains these key elements: an extension of the highway trust fund which will support the proposed authorization levels; a new definition of cost to complete the Interstate System, including only those items required to provide a uniform minimum level of acceptable service on safely operating systems; Interstate 3–R will be expanded to include reconstruction and will cover all work no longer eligible for interstate construction funding; the elimination of the authorizations for the categorical safety programs in fiscal year 1982 and the phasing out of the urban and secondary programs over the next 3 years; and, last, no authorizations are included for specially funded programs that are not considered to be a Federal responsibility.

It should also be noted that our legislative proposal includes a $200 million authorization from the highway trust fund for interstate transfer grants associated with highway substitutions in fiscal year 1982; a $215 million authorization from the highway trust fund for the Appalachian Highway in 1982; and makes no provisions for the territorial highway program, since this activity will be eligible for funding within the territorial program administered by the Department of Interior in 1982.

SUMMARIZATION OF FISCAL YEAR 1982 BUDGET

I'd like to summarize our 1982 budget estimate, and highlight a few key elements and indicate reasons for revisions to the previous administration's request.

Regarding the program level, obligations are the most meaningful indicator of budget activity. We anticipate total obligations of about $8.74 billion in fiscal year 1982, which includes $8.3 billion for the Federal-aid highways account; $200 million for interstate transfer grants; and $215 million for the Appalachian Highway System.

Regarding staffing, consistent with the President's programs for stabilizing the economy and reducing the size of the Federal work force, we have reduced the fiscal year 1981 and fiscal year 1982 requests for personnel resources.

The budget contains a general provision which limits Federal-aid highway obligations to $8.15 billion with the emergency relief program being exempt.

We are requesting a $200 million appropriation from the highway trust fund for interstate transfer grants associated with highway substitution projects.

Given the President's proposal to abolish the Appalachian Regional Commission and to transfer the highway activities to the Department of Transportation, we are requesting a $215 million appropriation from the highway trust fund for the Appalachian Highway System.

The 1982 budget continues funding of general operation expenses, motor carrier safety and highway safety research and development, at the same basic level as provided in fiscal year 1981.

FISCAL YEAR 1981 SUPPLEMENTAL REQUESTS

Included in the fiscal year 1982 budget are three requests for 1981 liquidating cash supplemental appropriations: for Federal-aid highways, $1.25 billion; highway-related safety grants, $12 million; and National Scenic and Recreational Highways, $7 million. Also included is a supplemental appropriation request of $7.5 million for the Darien Gap Highway program.

My colleagues and I will be happy to discuss the estimates in detail and answer any questions you might have and to provide any additional information that may be helpful to you in reaching decisions on our budget request.

Senator ANDREWS. Thank you, Mr. Barnhart. It's good to have you before the committee; it's good to have a good Eagle Scout and Rotarian in the position you now hold. That ought to add a good deal to our possibilities of getting things done.

Some of the questions, of course, we have to have to get right down to the dollar numbers. After all, that's our responsibility. There is no increase in the gas tax, as I understand, included in your proposed legislation.

Mr. BARNHART. That is correct, sir.

TRUST FUND EXTENSION

Senator ANDREWS. Since highway trust fund expenditures are expected to exceed revenues this year, how do you propose to keep the fund strong for future years?

Mr. BARNHART. We are proposing an extension of the trust fund to 1990. We believe that this will retain the financial integrity of the fund. Of course, it does mean we are going to stretch some programs out.

Additionally, with the emphasis on the Federal responsibility and phasing out of the secondary and urban categories, I think we are further strengthening our commitment to the Interstate System. We are reducing the additional burden that would be levied on the fund if we had retained those programs.

So I think we have made a happy compromise.

RECOMMENDATIONS FOR FUEL TAX INCREASE

Senator ANDREWS. Do you contemplate any recommendations for future increases in the Federal motor fuel tax?

Mr. BARNHART. Not at this time, sir, but I would suspect there would be some down the pike. And I'm sure that the Congress will be ad-libbing on its own program here and there, but I do not propose that, sir.

Senator ANDREWS. In small, rural States similar to the one I represent, we have some inequities in the excise tax, particularly on trucks. I could ask this one for the record but I might just as well ask it straight-out. In the first instance, excise taxes were put on trucks based on weight. The Federal excise tax on those trucks makes no differentiation between farm-use trucks, which run maybe 5,000 or 6,000 miles a year and never get on an interstate highway, and regular trucks.

We have tried for years to get an exemption for farm-use trucks, on any truck that the State has an exemption on its license plate. Where the State says, this is an off-road truck and sets a specific lower license plate for it, it seems ridiculous for the Federal Government to demand $100 to $150 a year excise tax on that truck to fund the interstate. These would be straight trucks. Often, they are 15 years old; the farmer buys a chasis, sticks a tandem unit behind it and uses it for hauling potatoes or wheat or whatever over township roads largely.

Has anybody in your shop taken a look at that request that keeps popping up for modifying the excise tax requirements depending on the use of trucks?

COST ALLOCATION AND OFF-HIGHWAY-USE VEHICLES

Mr. BARNHART. We will be considering that in the cost allocation study.

Mr. LAMM. Mr. Chairman, let me just mention briefly, as Mr. Barnhart stated, we do have underway a review required by the Congress in the 1978 Highway Act.

Senator ANDREWS. I know, because he mentioned it, I felt it was a good time to get to this question.

Mr. LAMM. Yes, sir.

Senator ANDREWS. We proposed this tax relief for off-highway-use trucks, farm-trucks, specifically, some 8 or 9 years ago.

At that time, the then-administration said this was a good idea and they, in fact, supported it. Later on, the last administration got it lost in the cracks. There was no recommendation whatsoever.

I think, when we are reviewing the overall highway use tax, that this ought to be looked at—expecially for those trucks for which the State itself has issued special off-road use licenses.

Mr. LAMM. We've been recommending that all the proposed exemptions wait until we take an across-the-board look at revenues and the adequacy of the financing program.

Senator ANDREWS. Take a look at that one and give me some information later on when you begin to get your recommendations out. If you need any more information, we'd be glad to provide you with old copies of proposed tax amendments and the reasons and justifications for them, as well as the support of the various farm organizations.

You propose the addition of the interstate transfer grants and the Appalachian Highway to the programs already funded out of the highway trust fund. Is that correct?

Mr. LAMM. Yes, sir.

Senator ANDREWS. How is that going to affect the trust fund's long-term ability to complete the Interstate System?

Mr. BARNHART. Well, obviously, it's going to dip into it, but we still think we've retained, as I say, the financial integrity of the fund. But, obviously, it will be an extra burden.

Senator ANDREWS. What's the dollar figure?

Mr. BARNHART. For Appalachia, we are talking about $215 million initially in fiscal year 1982, and going on up to $289 million in 1986.

Senator ANDREWS. That would be 7 percent of the total spending.

Mr. BARNHART. A little more than $1.25 billion through fiscal year 1986.

Mr. LAMM. Actually, sir, it would be a little less than 7 percent in fiscal year 1986, Appalachian spending would be about 2.5 percent of the total.

Senator ANDREWS. The reason given for the elimination of the territorial highway program is that the program can be made eligible for funding within another territorial program administered out of the Department of the Interior in 1982.

Using similar logic, why aren't you proposing that the Appalachian Highway program be funded out of the already established Federal-aid highway program?

Mr. LAMM. Mr. Chairman, it is. It's funded in the same way, but it's funded in a method so that the Appalachian projects do not compete with the regular Federal-aid program.

Senator ANDREWS. Well, why shouldn't this region compete with funds for all the other regions?

If you give it a special category, isn't it going to be drawing down the highway trust fund, reducing the amount that would otherwise be available for all States?

Mr. LAMM. It reduces it but as Mr. Barnhart mentioned previously, we do have a balance sheet that shows that the highway trust fund remains solvent through the life of this program. I might mention that this occurs in part because we start out right now with a $10.4 billion balance.

EMPHASIS FOR APPALACHIAN PROGRAM

Senator ANDREWS. Yes, but you put these new kids on the block into it and then you have to stretchout, cut back and, by adding these new deals, you have made the cut even greater.

If you add new programs to an ongoing program and you accelerate the amount of money input, you've held harmless the old programs, essentially.

If you add new programs at a time when you are decelerating the amount of money input, you increase the intensity of the impact on the original old, ongoing program.

Mr. BARNHART. I think that's correct. Of course, these roads are, in fact, of a primary nature, and would be eligible.

Senator ANDREWS. That's true, but there are a lot of primary roads all over the country.

Mr. BARNHART. But it does give them an extra emphasis.

Senator ANDREWS. You know, a rural road in the Appalachian region is indeed important, as is a rural road in North Dakota, South Dakota, Texas, or wherever.

Mr. BARNHART. Yes, there's no question of it, sir, and it was an arbitrary decision and yet I think it is one that has some legitimacy and one I can support.

Senator ANDREWS. Well, you are making some areas of the country just a little bit more legitimate than other areas of the country.

Mr. BARNHART. That's correct.

Mr. LAMM. I might mention, too, Mr. Chairman, that, at the same time these two programs that you mentioned were added for trust-fund financing, we have recommended that a number of other existing programs be canceled, so the net impact on the trust fund is not totally additive. It very closely balances out.

Mr. BARNHART. The smaller roads in the Appalachian system, however, would not be eligible. We are talking about the developmental roads of the primary nature, so that the total road program that is presently being funded would not be funded in the future.

INTERSTATE ONE-HALF PERCENT MINIMUM

Senator ANDREWS. Your proposed legislation also appears to eliminate the minimum one-half of 1 percent provision as applied to interstate completion funding. I realize that you've added a similar provision for the Interstate 4–R apportionment, but that is just a small part of the overall construction deal.

Mr. BARNHART. Yes, but if one accepts the premise of the legitimacy and the necessity of the interstate and defense system, then I think we must alter our approach in order to expedite the completion of that system. To continue to draw off of that basic fund when it has been completed, would also be inequitable.

Senator ANDREWS. Do you also penalize States that have done a good job and reward those States that have procrastinated?

Mr. BARNHART. Well, it's not necessarily a procrastination or a good or a bad job. I don't think one could evaluate it in those terms. I do think we've made the provision for it through the 4–R one-half percent provision.

Senator ANDREWS. That amounts to one-fourth of one-half of 1 percent apportionment that would go on the basis of the construction.

Mr. BARNHART. It is a lesser amount, but it again is consistent with our emphasis on completion of the interstate.

NORTH DAKOTA AND THE HOLD-HARMLESS PROVISION

Mr. LAMM. It isn't quite as drastic a change as you would indicate, Mr. Chairman. If you look at figures that we have, using North Dakota as an example, as of October 1 of this year, if the new legislation did not pass and we were apportioning funds that were authorized in the 1978 Highway Act, North Dakota would get $15.4 million as their one-half percent minimum for the construction program and $3.1 million under the 3 R, a total of about $18.5 million.

Senator ANDREWS. That's right.

Mr. LAMM. Now, we are proposing that, for this apportionment to be made in October of this year, that the one-half percent minimum, which, as you point out, is roughly $6.5 million and it is much less than $18.5 million that would have been available under the 1978 act be balanced by a hold-harmless provision. This would give an additional $12.8 million so that North Dakota, using that example, would not really be penalized.

Senator ANDREWS. But that's only a 1-year shot.

Mr. LAMM. Then, the figures, in 1984, would go to $10.5 million; 1985, it would be $16.2 million; 1986, it would be back up to $17 and the apportionment that's made in the final year of the legislation for fiscal year 1986 would have an apportionment of $21.9 million.

Senator ANDREWS. Under the one-half of 1 percent?

Mr. LAMM. Yes, sir. So, at that point, the one-half of 1 percent in the 3–R category does take over the amount that has been coming in through the construction program.

Senator ANDREWS. How do you get the increases in the out years? Actually, then, you begin to look like you are apportioning one-half of 1 percent of what you are spending anyway because you are not increasing total spending.

Mr. LAMM. No. But, in the case of the 4–R category, North Dakota would not have to worry about the one-half percent minimum. Their normal apportionment share would be something closer to 1 percent even.

As that figure gets up, we are talking about an authorization level of $2.7 billion for interstate 4–R in 1987, and the share that goes to North Dakota would be $21.9 million.

Senator ANDREWS. Well, run the figures and the logic behind them by my office in the next couple of days and I'll take a look at them. I'd be interested. You personalized an area that's close to my heart.

[The information follows:]

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SUMMARY OF NORTH DAKOTA—INTERSTATE APPORTIONMENTS

[Dollars in millions]

Fiscal year	Present			Proposed		
	I	3-R	Total	I	4-R	Total
1980	[1] $15.6	[2] $1.9	$17.5			
1981	[1] 16.8	[2] 1.9	18.7			
1982	[1] 16.8	[2] 3.1	19.9			
1983	[1] 15.4	[2] 2.9	18.3	0	[3] $6.6	[4] $6.6
1984	[5] 0	[6] 0	0	0	[3] 11.0	[7] 11.0
1985	0	0	0	0	[8] 16.9	[8] 16.9
1986	0	0	0	0	[8] 17.7	17.7

[1] Due to one-half percent minimum only, State has zero I apportionment based on need adjusted for Administration, et cetera.
[2] Factor is 1.114, formula is three-fourths lane mile, one-fourth VMT per 1978 act.
[3] May be adjusted down by one-half percent minimum for all States and factor is 0.844, formula is one-half VMT, one-half lane mile.
[4] Under hold harmless would receive extra $11.7 million to make total $18.3 million. Other States would be affected by adjustment.
[5] 1978 act only provides one-half percent minimum through 1983.
[6] 1978 act only authorizes 3-R through 1983.
[7] There would be no hold harmless and no extra money here.
[8] This might be adjusted for changes in VMT.

THE HIGHWAY BEAUTIFICATION ACT AND JUST COMPENSATION

Senator ANDREWS. I have one final series of questions before I turn to my colleague, Senator Chiles. The Highway Beautification Act was enacted in 1965 and the Federal Government took some 7 years to put rules, regulations and State and Federal agreements into place; not knowing whether the State might become fully liable for the compensation costs of sign removal, North Dakota, and I suspect a number of other States, devised a waiver scheme for new permits.

Between 1965 and 1972, sign companies were required to accept this waiver or compensability in order to receive new construction permits pending decisions from the Federal Government relative to rules, regulations, et cetera, which might necessitate the removal of at least some of these new signs.

The Governor of North Dakota has joined those of us in the Senate—Senator Burdick and myself, as well as Senator Symms from Idaho and I suspect several other Senators—in expressing his concern about this unique situation. It's his opinion, and that of the congressional delegation from several States that adequate control is being exercised in some of these States over outdoor advertising but the signs which have not been removed to date are needed to support the State economy and, in fact, the economic benefits far outweigh the marginal esthetic questions involved.

Now, North Dakota is among the top dozen States in the Nation in performance under the Highway Beautification Act and no more Federal funds need be expended in compensation nor is the removal of the signs without full compensation to private property owners a just action.

Actions taken by the State in the 1965–72 interim period that have been overridden by the 1978 amendments should be judged administratively by the Department of Transportation. The waiver scheme otherwise creates a class of private property owners who are receiving unequal treatment in the application of 1978 amendments.

DOT has suggested that special legislation would be necessary to resolve the question. It's our belief that DOT already has the administrative authority to resolve these inequities.

Private relief legislation simply invites a series of legislative challenges to the Highway Beautification Act that will be disruptive to its generally successful implementation.

Now, what action do you intend to take on this? Do we have to go the legislative route or could you use your own authority and imagination and good judgment and Eagle Scout background and come up with a solution?

Mr. BARNHART. My feeling is that this is a matter best left to the States. I do not think the Federal Government should be involved in it. That will be my recommendation as Federal Highway Administrator; 2 months ago, that would have been my recommendation as a commissioner of the Texas Highways and Public Transportation Commission. I would hope that the Federal Government would get out of that business entirely.

We do have some recommendations or some reports coming in from an appointed advisory committee. I have not received those yet. The committee was created by the previous administration. And I would hope to have a recommendation on that.

I have sent you a rather detailed letter regarding this subject, and your State in particular, which should be in your office this morning. I believe it has been delivered.

RECOMMENDATIONS OF NATIONAL ADVISORY COMMITTEE

Senator ANDREWS. Well, your feeling about this is, then, that you should get out of the act. I think that that makes sense.

The problem is: unless there is some clean-cut decision eliminating this sword hanging over, down the line, it bothers both the State governments involved and the individuals who own the billboards and I think we've got to do more than just say, we don't want to do anything about it.

I think we've got to definitively resolve the issue and I think it would be far better done by administrative action than by introducing and passing legislation which could well be Christmas-treed-up into including all kinds of things.

Mr. BARNHART. I understand that we will have something further on that when I get these reports. I think it would be premature, in spite of my bias, to judge it prior to the time I receive those reports—recommendations from the committee.

I will say in Texas, we've spent some $38 million on a most ineffective program. I think we have fenced 50 out of 1,250 junkyards, for instance. It has not been an effective program. And, frankly, I do not think that it's a prudent usage of taxpayers' money.

Senator ANDREWS. And you do recognize the need for resolving the situation?

Mr. BARNHART. Absolutely.

Senator ANDREWS. You intend to do everything you possibly can to see that it is, in fact, resolved and not just dragged out or swept under the rug for another decade or so.

Mr. BARNHART. I do not like to have people in a Catch 22 position, nor do we like to be in that situation.

Senator ANDREWS. I think that's very commendable.

Senator Chiles.

FLORIDA INTERSTATE PROGRAM

Senator CHILES. Thank you, Mr. Chairman.

Mr. Barnhart, I know both you and Secretary Lewis have stated that the administration intends to recommend completion of the Interstate System, both nationally and more specifically in my home State of Florida.

Mr. BARNHART. You do have a gap or two, don't you?

Senator CHILES. Over 300 miles, yes, of incompleted interstate roads. We don't think that's because we have been sitting on our duffs, though.

Mr. BARNHART. That's correct.

Senator CHILES. If you go back and compliment past decisions, some past Governors and some past road departments in Florida have moved pretty wisely in that we built all of our urban links first and we built them with much lower cost dollars. This saved money for both the Federal Government and the State. We are now trying to deal with those areas that are left and, of course, the I–75 was the extension that was placed on later.

Still, I'm somewhat concerned to learn that the administration has requested unprecedented authority to eliminate segments that are not cost-effective, environmentally disruptive, or not essential to a unified and connected system.

That legislation doesn't give us any specific criteria for eliminating portions of the systems and I think it would be helpful if you would provide the committee with a little more discussion of when you would judge a segment not to be cost-effective or when you would judge a segment to be environmentally disruptive.

EVALUATING UNBUILT INTERSTATE SEGMENTS

Mr. BARNHART. Quite frankly, Senator, that imposes some philosophical and practical problems to me, too, because I don't think that the Federal Government should intrude into areas of State responsibility. I don't like to judge the activities of another governmental unit in that sense.

Yet, we do have a responsibility to the total taxpayer dollar accountability. It seems to me that it would also be irresponsible for us to say, simply because a line was drawn on a piece of paper 20 years ago, that, regardless of the conditions as they exist today, that gap should be completed. It would seem to me that the prudent thing to do would be to establish some criteria that would be applied on every gap, regardless of geographical location; to analyze the environmental, the cost figures, the practicality because of physical problems of construction and to develop a cost per trip, if you will, for each of these units.

In the process, it seems to me that the public attention would be focused on those gaps and that, within the States themselves, there would be a determination as to the validity of those projects.

I think we will have to provide for full administrative controls there, but I do think that review should be done and I believe that many States on their own initiative, could make the determination to go for a substitute program or something like that.

Les, would you have anything further on this?

Mr. LAMM. I would just say, Senator Chiles, that we would intend to follow the full Administrative Procedures Act requirements for any action of this magnitude. That is, obviously, we are not going to be moving ahead of congressional approval to do so and we have, as you point out in your question, requested of Congress that authority in this year's legislation.

Furthermore, if—and assuming we do get that authority, we would expect to follow the review-and-comment process, using the Federal Register, so that we are not talking about sneaking up on anybody.

As the Administrator just mentioned, we have no predetermined notion that a given number or a given category of projects would not be acceptable under this review mechanism.

FLORIDA GAPS AND ADMINISTRATIVE DISCRETION

Senator CHILES. Well, as you know, we have those significant incompleted gaps: I–75 between Tampa and Miami; I–95 near West Palm Beach and I–275 and I–595 in the St. Petersburg and the Fort Lauderdale area.

And, of course, my particular feeling is that, before I give you some broad discretion, I want to know what you think about those areas, and maybe there are some other people that might have some same kinds of feelings that way.

Secretary Lewis has commented, as have you, Mr. Barnhart, that you think the Florida links should be built. But, I think we are going to have to see the criteria and then we are going to have to determine whether our links fit within that?

Mr. BARNHART. Yes, sir. As we look at this interstate, though, we talk about completion, and we see that 4½ percent which remains incomplete is up to a price tag now of some $53 billion.

Senator CHILES. I understand that.

Mr. BARNHART. I think it's incumbent if we review this.

Senator CHILES. I also see that Florida has paid in $3 billion and taken out $2 billion.

Mr. BARNHART. Well, sir, Texas is right in line with you. There's 1 percentage point difference on our contribution to the system.

Senator CHILES. Yes.

Mr. BARNHART. However, I still defend that. And there are many States who do not have the tax base to provide for completion of this integrated network, so I think it's only proper if we accept the definition of an interstate and defense system that some States such as Texas and Florida contribute to that system in other States that don't have the tax base.

Senator CHILES. If we accept the definition of an Interstate System, that's right. I go along with that, until somebody says: well, wait 1 minute; but we're going to cut off part of your Interstate System.

Mr. BARNHART. I understand, sir.

Senator CHILES. Then, I'm going to change my mind pretty quickly, you know, about what we should be doing then.

Mr. BARNHART. I think we are political realists and aware of the impact of negative decisions regarding some of these sections and I do think that this issue will be handled very delicately and right on top of the table. And certainly we'll define it well before we request such powers from you.

Senator ANDREWS. As long as you take care of the two Sunshine States, North Dakota and Florida, you'll do all right. [Laughter.]

PRESENT FEELINGS ON CERTAIN FLORIDA GAPS

Senator CHILES. Well, I want to know if you or Mr. Lamm have any present feelings or concerns that any of the segments, I–95, I–75, I–275, or I–595, have environmental or high-cost problems. I mean, is there any present feeling?

Mr. BARNHART. Well, sir, I have said I did not want to get into a discussion of the individual gaps until we had established a criteria because I don't think that would be fair.

I have not looked indepth at specific gaps. I will say that what we are attempting to do is to proceed under present law and present understanding and we're trying to expedite every project that is on the boards until the time that we are granted this authority if we are granted that authority.

And I foresee no problems with expediting those subject gaps. But, I'm not in a position to say yes or no.

Senator CHILES. You make me more and more concerned that I'd better look at those criteria closely because, you know, what you're telling me is that you're going to go forward presently until we give you that authority but, if we give you that authority, then you're going to take another look.

Mr. BARNHART. No. I say that we are going to proceed with every gap and I'm trying to keep from distinguishing it by geography or specific gaps.

I've had some meetings with numerous interested individuals from Florida. I think half of the State has been up here in the last 3 weeks.

Senator CHILES. Yes, sir.

Mr. BARNHART. And have gone over them, so I'm familiar with those.

Senator CHILES. And the other half is concerned and will be up here if they think there's any problem.

Mr. BARNHART. From what I've seen, I see no problems but, again, I'm really not in a position to state yes or no. We're going to continue to push them, just as I've assured you.

And I think that we have done that.

Les, do you have anything?

Mr. LAMM. The only thing I would add, Senator, is that most of your environmental impact statements have already been approved by Federal Highway Administration and we are definitely not proposing to go back and reenact any environmental issues that came up several years ago before an EIS was approved.

NEW INTERSTATE DEFINITION OF COMPLETION

Senator CHILES. In the legislative proposal for highways that the department sent to the Hill last week, a new definition for completion of the Interstate System was proposed. The type of items that would be excluded would include weight stations, landscaping, pedestrian and bikeway facilities and special features to accommodate social, economic and environmental concerns.

What impact will the new definition of completion have on the total cost to complete the Interstate System in both dollars and percentage reductions?

Mr. BARNHART. What we are trying to do is reduce the numbers of categories. We've got 40-some-odd categories. It seems to me that, if we are going to get our true dollar's worth of performance out of each of these tax dollars, there must be more prerogative of management granted to the individual States and less involvement by the Federal Government, so we've broadened the categories. We've made more of the project segments eligible under broader categories.

We are not necessarily eliminating all of these things but we are saying that the broader categories will encompass these various functions but it's up to the State, then, to set the priorities for the usage of the money.

Is that it?

Mr. LAMM. As far as a numerical estimate, the definitions that we are talking about, Senator Chiles, would probably remove about $22 billion out of the current cost to complete so that, instead of trying to complete $53.8 billion worth of interstate facilities between now and 1990, we would be dealing with a figure in the midtwenties, which we think is do-able at our current authorization level.

Senator CHILES. So what you are saying is, the States would not be guaranteed these as part of the total cost of completion and they would be petitioning for these or they would be seeking them.

Mr. LAMM. As far as the interstate is concerned, the funding in the legislative program would still guarantee that there would be enough Federal funds between now and 1990 to complete all of the gaps. None of the gap work, per se, would be removed from the cost to complete.

Senator CHILES. Maybe you don't have this now, but, for the record, if you would give me some kind of idea of what the new definition would have on the total cost to complete.

Mr. LAMM. Yes, sir. We can even give you an idea of what the apportionment would be for Florida over the next few years.

[The information follows:]

ESTIMATED INTERSTATE APPORTIONMENTS FOR FLORIDA

The following estimated Interstate System apportionments for Florida are based on table 5 of the addendum to the 1981 Interstate Cost Estimate (Committee Print 97-1 of the House Public Works and Transportation). Current law requires that revised estimates of the cost of interstate completion be submitted in 1983 and 1985 which would be used for fiscal year 1985, fiscal year 1986, and fiscal year 1987, respectively interstate apportionments.

Estimated apportionments for Florida

Fiscal year:	*Thousands*
1982	$178,017
1983	196,238
1984	196,238
1985	196,238
1986	196,238

Senator CHILES. I'd like to have that. I have some other questions for the record, Mr. Barnhart, but that's it for now.

FEDERAL-AID GENERAL PROVISION—FISCAL YEAR 1981

Senator ANDREWS. Thank you, Senator.

Section 310(a) of last year's bill instructed the Secretary of Transportation to allocate, by formula, only 80 percent of Federal aid to highway and highway safety construction funds appropriated.

Then, on August 1, 1981, you're to allocate the remaining 20 percent to those States which have obligated their total portion of the original 80 percent, committed projects for further use of funds. What's been the impact of this change in law and what recommendations do you have as far as provision is concerned?

Mr. BARNHART. I'd like to have Les answer that.

Mr. LAMM. Mr. Chairman, the 80–20 provision is working this way, so far, the States have obligated roughly $4.9 billion out of the original 80 percent. It looks as if, by the time August 1 rolls around, probably, 40 or 42 of the States would have used up their 80 percent, so we're very definitely going to have a good amount of competition for the final 20 percent or roughly $1.7 billion that becomes available on the first of August.

We intend to allocate those funds on the basis of which projects are ready to go as of August 1 and we've talked with the States through ASHTO and individually we've given them what we think are the few options that are available to us.

We've gotten their own feeling that, by and large, they would prefer to have the 20 percent roughly even out so that as many States as possible end up getting roughly their 100 percent share of the full obligation authority for 1981. And we feel that we have the latitude to do that so, to some extent, I think that the proposal we are working with this year will fairly well satisfy most of the States.

Senator ANDREWS. Have most of the States, then, obligated their 80 percent so they, in fact, can qualify?

Mr. LAMM. Roughly, a dozen have already obligated it but, by the time August 1 comes around, probably 40 or 42 will have used up their 80 percent.

I might mention—the second question was looking ahead to fiscal year 1982.

Senator ANDREWS. Yes.

FEDERAL-AID GENERAL PROVISION—FISCAL YEAR 1982

Mr. LAMM. And we have proposed a different allocation process to cover the rate of flow in 1982. We have a proposed program level of $8.15 billion and, again, as is true in 1981, we need to control the rate

at which the States use the funds because we also have a limit in the President's budget for outlays for the highway program and the way we propose to limit outlays this year is to provide that, during the first 3 months of the fiscal year, the States, collectively, can only use 25 percent of the $8.15 billion. Now, the difference may not be so apparent between an 80–20 and a 25–75 rate in this respect, but it'll work out that, to dampen the program in the first 3 months of the fiscal year will have a much larger impact on the actual billings that occur toward the end of the fiscal year so that, if, by having this one reservation by limiting the first 3 months of the year to 25 percent of the program, we can assure Congress that we will live within the outlay level in the 1982 budget, whereas—for instance, if we duplicated the 80–20 provision in 1982, we could just about guarantee that we'll have to come for a supplemental appropriation sometime during 1982.

MISSOURI RIVER BRIDGE BETWEEN BISMARCK AND MANDAN

Senator ANDREWS. Last year's report directed that priority be given to the Missouri River Bridge between Bismarck and Mandan for discretionary bridge rehabilitation replacement in accordance with the Federal-aid Highways account. What's the status of this?

Mr. REINHARDT. As you said, Mr. Chairman, in the 1981 appropriations bill the bridge did receive legislative history. By that act, it became more eligible for inclusion in the discretionary bridge program fund which request had been made back during the last year or for this year's funds of $16.8 million. But, at the time we received requests for $16.8 million, we had already allocated funds to previously funded bridges' ongoing costs for them, and we only had $6-plus million left that was not allocated and, therefore, we couldn't handle this request of $16.8 million.

Senator ANDREWS. In other words, the appropriations last year—the report mentioned it, but no money was set aside in the bill itself.

Mr. REINHARDT. No, sir. The bill itself did not designate specific money for this bridge. It gave it legislative history and, therefore, it helped it toward its entitlement for inclusion in the discretionary program but, at the time we got this information and the request, we didn't have enough money left to honor the $16.8 million, plus we had other legislative history bridges also that were in competition.

Senator ANDREWS. What happens next?

BRIDGES WITH LEGISLATIVE HISTORY

Mr. REINHARDT. Well, sir, this bridge will be given consideration at the beginning of next fiscal year for the overall funding for the Nation's needs and it will be considered along with all other bridges that we receive requests for and, as we've done in the past, our funding priorities will go toward completion of those bridges that we've already started initial funding on. And we have a projected need in those bridges next year of $214 million with the funds available of $200 million. There could possibly be some slippage in current year projects that would permit some funds to become available for inclusion of new bridges that have not received funding in the past but, at the same time, I don't think I could guarantee anything at this point in time.

Senator ANDREWS. These other bridges got ahead because they were—some of them were specifically mentioned in the bill itself.

Mr. REINHARDT. Yes, sir. We have both types of currently funded bridges. In the initial part of the program, we didn't have what we call a large number of legislative history bridges, so we funded some non-legislative-history bridges but, since the number of legislative history bridges has increased so much, we are now giving priority funding treatment to any new bridges that are added to the program to those that have legislative history.

Senator ANDREWS. And some of those bridges have gotten ahead because they have been mentioned specifically in the allocation of the dollars.

Mr. REINHARDT. The Golden Gate Bridge, I believe, was one that was specifically given legislative history in the conference report.

Senator ANDREWS. Well, you can provide some of the rest of them for the record.

Mr. REINHARDT. Sure.

[The information follows:]

Discretionay bridge projects with legislative history funded to date

State and bridge:
Alabama, Cochrane Bridge.
California, Golden Gate Bridge, San Mateo Bridge.
Delaware, Augustine Cutoff Bridge.
Florida, Barron Collier Bridge.
Georgia, Torras Causeway.
Illinois, Mississippi River Bridge at Quincy, U.S. 36 Bridge at Florence.
Iowa/Wisconsin, Eagle Point Bridge.
Iowa, Keokuk Bridge.
Maine, Million Dollar Bridge.
Maryland, South River Bridge.
Massachusetts, Fore River Bridge.
Michigan, Third Street Bridge.
Mississippi, Natchez-Vidalia Bridge.
Missouri, ASB Bridge.
New York, Queensboro Bridge, Manhattan Bridge, South Park Avenue Bridge.
New York/Vermont, Rouses Point Bridge.
Oregon, Center Street Bridge.
Pennsylvania, Beaver Falls Bridge.
Rhode island, Jamestown Bridge.
South Carolina, Sampit River Bridge, James Island Bridge.
Washington, West Seattle Bridge.

Mr. LAMM. Mr. Chairman, one of the reasons some of the other legislative bridges had preference, in terms of their priority, is that they began earlier.

In some cases, we are dealing with funding for the third of a series of contracts on the same bridge, and the choice would have been, otherwise, to leave a set of piers sitting in the water or something like that. It makes sense to complete the financing of bridges once we get started.

Senator ANDREWS. We've got the approaches already down on that bridge. They thought they could keep going ahead on it and now they were subjected to the rude awakening that the money wasn't specifically earmarked.

What design and engineering work needs to be done on that bridge; do you know that?

Mr. REINHARDT. According to the information I have, sir, they anticipate the construction contract to be let in August or September of this year.

Senator ANDREWS. But not if you don't come up with the $16.8 million.

Mr. REINHARDT. No, sir. And, on that point, sir, I don't have that information. But, if possibly this project could be broken down so that it could be built in stages. I don't have the information here, but if there were a lesser initial need by breaking a project down into two projects or a contract into two contracts, that would make a lesser initial need in a dollar amount. It would certainly help with this bridge or any other bridge to get the funding started on it.

PROPOSED LEGISLATION AND RURAL BRIDGES

Senator ANDREWS. In your proposed legislation, you eliminate the Federal role in funding secondary roads; yet, you strengthen Federal support of bridges on secondary roads. Please explain why you make this distinction.

Mr. BARNHART. We recognize the high costs involved in bridges. So we think that is a legitimate breakdown the way we have it. We have tremendous interest on the part of the Congress and the Nation in the bridge program and so we have retained that separate bridge category because of the high demand of the high-cost items.

Les, have you anything to say?

Mr. LAMM. The only other thing I would mention, Mr. Chairman, is that the pressures at the county engineer level financing secondary road improvements versus a bridge improvement are quite different.

The typical county would have some miles of secondary roads and they would forecast that, over a typical 20-year period, a certain proportion of the roads would require resurfacing. And, if they have a chance to get to the State legislature for financing, they can pretty well plan how much money they need over time. In the case of the bridge, though, there may be a large bridge in a county that perhaps dates back to 1920 and, all of a sudden, they have to replace it this year or next year and there's just been no way that they could budget for that. So on the one hand we do see a very definite difference in the Federal responsibility to provide some degree of financing for the bridge and, on the other hand, see a more logical role for the county engineer or the county supervisor to obtain the continuing, long-term financing for the road improvements.

Senator ANDREWS. Certainly, we need to put emphasis on bridges because there's no way you can get loads of grain from the back country of Texas or North Dakota unless we are able to heavy-up those bridges.

We've got 5-ton capacity bridges for trucks that ought to be hauling 20-ton loads, and that just doesn't match.

Senator Abdnor.

FOREST CITY BRIDGE ON THE MISSOURI RIVER

Senator ABDNOR. Thank you, Mr. Chairman. I just arrived, but I was extremely pleased to hear the attention the administration is going to be paying to bridges. It is a problem for all States, I'm sure. As the chairman noted: I also have a bridge in my State that has been a serious, serious problem. It opens up the entire western half of the State as a grain outlet. The way it works now, the farmers have to go a great distance out of the way to get across the river. Many States suffer serious bridge problems.

Some are more fortunate than others because they have severance taxes and other income sources to use but they also find it impossible to put the proper amount of expenditures into bridge repair.

The particular bridge I am speaking of is the Forest City Bridge on the Missouri River in central South Dakota. I would like to speak personally with you about it in the future.

Bank stabilization problems on the Missouri River have caused the situation which has occurred. It's such a tremendous problem that my State simply can't take care of by itself. I am pleased to hear your comments regarding bridge priorities.

Thank you very much.

Senator ANDREWS. Thank you, Senator.

Senator Byrd?

PROPOSAL FOR WEIRTON-STEUBENVILLE BRIDGE

Senator BYRD. Thank you, Mr. Chairman.

Mr. Administrator, how are you today?

Mr. BARNHART. Fine, thank you.

Senator BYRD. I'd like to discuss with you a new Weirton-Steubenville bridge. We discussed this in my office some time ago.

The preliminary engineering reports were prepared as long ago as 1961. A joint effort by the States of Ohio and West Virginia, working cooperatively with local agencies, culminated in a feasibility study report dated December 1970, prepared by Wilbur Smith and Associates, which provided the mutually agreeable site for the new structure. There are two existing bridges in the area that serve the same general traffic corridor.

These bridges are the existing U.S. Route 22, Fort Steuben Bridge, which is owned by the State of Ohio, and the Market Street Bridge, owned by the State of West Virginia, which connect downtown Steubenville, Ohio with Brooke County, W. Va.

The two existing bridges are old, and the feasibility study that I have cited document the fact that both carried more traffic than their theoretical capacity. The new bridge could provide a major link in the future development of the U.S. Route 22 corridors which would serve the East-West travel in the area.

Over 75 percent of the traffic that would cross the Ohio River in this travel corridor is between the two urban centers of Weirton, W. Va. and Steubenville, Ohio. This is a heavily industrialized steel-producing area and the major composition of traffic includes work trips and movement of industrial products and materials by truck. Adequate transriver

highway facilities are, therefore, vital to the economic well-being and commerce in both the local area and that region of the country which it serves.

Regarding the inadequacies in the two existing structures, other than the lack of capacity that I've already referred to, there are both functional and structural deficiencies to be considered.

The Fort Steuben Bridge was constructed in 1926 and is, therefore, over 50 years old. It has a 20-foot roadway from curb to curb with a 5-foot sidewalk. It's overall length is more than 1,500 feet, with a main span of almost 700 feet.

Deck repairs are required quite frequently on the bridge due to the high volume of traffic, which is in excess, historically, of 22,000 vehicles a day, and the heavy commercial traffic that it carries.

The Market Street Bridge was completed in 1905, 76 years ago,and it has a 22-foot roadway and a 5-foot sidewalk.

It is almost 1,800 feet long and has a main span of 700 feet. The bridge is structurally deficient and has a 3-ton limit and a 100-foot vehicle spacing limitation imposed upon it, as well as a 25-mile-per-hour speed limit.

The existing bridges are located approximately 8,500 feet apart. The new structure will be located between the two bridges about 1,000 feet downstream from the Fort Steuben Bridge.

The new bridge is needed to alleviate the obvious deficiencies of the travel corridor and, in effect, to replace the old bridges.

The piers for the bridge have already been constructed. The so-called sufficiency rating of the Market Street span is only seven, giving some indication of the need to replace this span as soon as possible.

The total cost estimates for the total bridge replacement project, including approaches, are itemized in the following table which I ask, Mr. Chairman, to have incorporated in the record at this point.

Senator ANDREWS. All right.

[The table follows:]

Ohio approaches	$3,600,000
West Virginia approaches	24,300,000
Main structure abutment and piers	35,000,000
Harman Creek relocation	1,000,000
Federal Land Office relocation	300,000
Total	64,200,000

FUNDING LEVEL FOR BRIDGE DISCRETIONARY PROGRAM

Senator BYRD. Mr. Barnhart, what are the fiscal year 1981–82 funding levels for the discsretionary program?

Mr. BARNHART. $200 million in each year.

Senator BYRD. And that would be anticipated, then, for subsequent years as well, would it?

Mr. BARNHART. It goes on up to $300 million for fiscal years 1983–86.

ELIGIBILITY FOR BRIDGE DISCRETIONARY PROGRAM

Senator BYRD. How does the bridge become eligible for the discretionary program?

Mr. BARNHART. Legislative history, for one thing. Incidentally, I'm very familiar with the bridge, Senator. I think West Virginia has 18 senators and each one of them has mentioned that particular bridge.

Mr. REINHARDT. Mr. Senator, basically, there would be two criteria. One is the estimated cost of the replacement structure if it exceeded $10 million or twice the State's annual apportionment or formula funds, plus it must meet a certain sufficiency rating level and, as you indicated earlier, it will meet both of those criteria. So basic criteria for eligibility: it has to be on the Federal-aid system, of course.

So it meets all the criteria for eligibility and, then, the legislative history, that certainly puts it in a more prominent spot for funding consideration.

Senator BYRD. Are there any funds available from fiscal year 1981?

Mr. REINHARDT. No, sir.

Senator BYRD. Or prior year provisions.

Any slippages that might be—in connection with other projects that might be used on this one?

Mr. REINHARDT. At this point in time, sir, we have no indication of that. As we mentioned earlier in the hearing today, when we get nearer the end of this fiscal year, we will have a better handle on what the needs may be based on the funds that have been allocated for 1981 as to their actual use, but, at this point in time, sir, I would have to tell you: no, sir.

Senator BYRD. Under current law, the Weirton-Steubenville Bridge would be eligible for discretionary funds as far as the law itself is concerned?

Mr. REINHARDT. Yes, sir.

Senator BYRD. The problem is with the funding?

Mr. REINHARDT. The problem is dollars, yes.

Senator BYRD. Does the Secretary or the Federal Highway Administrator give weight to specific bridges mentioned in legislative history; that is, the hearing record? You spoke of legislative history, Mr. Administrator.

Does that include the hearings, Congressional Record, committee reports, Appropriations Committee reports?

Mr. BARNHART. It includes all of them.

Senator BYRD. I ask you now, Mr. Chairman, that a February 19, 1981 letter I sent to you, Chairman Andrews, the distinguished chairman of this subcommittee, be placed in the record, seeking inclusion of language in the committee report, directing that, within the funds available for discretionary bridge replacement and rehabilitation, priority be given to the Weirton-Steubenville Bridge.

Senator ANDREWS. We'll put that in the record.

Senator BYRD. Thank you, Mr. Chairman.

[The letter follows:]

U.S. SENATE,
OFFICE OF THE DEMOCRATIC LEADER,
Washington, D.C., February 19, 1981.

Hon MARK ANDREWS,
Chairman, Subcommittee on Transportation,
Committee on Appropriations, Washington, D.C.

DEAR MR. CHAIRMAN: I am seriously concerned about the state of disrepair of the bridges between Weirton, W. Va., and Steubenville, Ohio. A new bridge is desperately needed. Currently, one span is so weakened that it can accommodate cars only. The other span, which can accommodate trucks, is only 18 feet wide. This presents a serious and dangerous situation to the citizens of West Virginia and others who are required to use this bridge daily to make their living. Consequently, I am enclosing a series of questions which I would like to have answered in the record by departmental officials during the March 19 hearings on the fiscal year 1982 Transportation Appropriation bill.

After you have had a chance to consider the facts through the hearings process, I would appreciate your including language in the fiscal 1982 Transportation Appropriation report directing that, within the funds available for discretionary bridge replacement and rehabilitation, priority be given to the Weirton-Steubenville Bridge.

Thank you for your consideration of this request.

Sincerely yours,

ROBERT C. BYRD,
Democratic Leader.

FINANCIAL REQUIREMENTS FOR A WEIRTON-STEUBENVILLE BRIDGE

Senator BYRD. What would be the first-year requirements for the Weirton-Steubenville Bridge?

Mr. REINHARDT. Sir, the best I could give you would be the information we had that's been provided through our field offices by the State Highway Department. And they have here a projected schedule for funding and they say that, as of February of 1981, they needed $300,000 for miscellaneous work and, in April 1981, they would need $24.3 million for the West Virginia land piers, small bridge and other related work; in May 1981, they would need $1 million for channel change and, in October 1982, they would need $35 million for the main bridge; in October 1982, they would need $3.6 million for an Ohio approach, for a total need of $64.2 million.

Senator BYRD. What was the first-year funding request?

Mr. REINHARDT. You requested of us, in 1981, $16.8 million, sir.

Senator BYRD. No. Perhaps I should rephrase my question. What would be the first-year funding need?

Mr. REINHARDT. Well, I would have to say, as I look at what I have before me, that it would be the need as indicated for April of this year which would be $24.3 million for the West Virginia land piers, small bridge and other related work.

Senator BYRD. Could that figure be reduced some?

Mr. REINHARDT. In what respect, sir?

Senator BYRD. Well, I don't know in what respect. That's what I want to ask you.

Mr. REINHARDT. If it's proposed as one contract, there's always the possibility the contract could be broken down into one or more contracts and, yes, along that line, it could be reduced, yes, sir.

Senator BYRD. The Highway Commissioner is considering going with the Ohio approaches first. And I understand this would be $3.6 million.

Now, could we, by paring down the requirements for the first year, perhaps enhance our opportunities for getting moving earlier?

Mr. REINHARDT. I would have to say that's very logical, yes, sir, without any absolute guarantee, but very logical.

Senator ANDREWS. Senator, the other day, we had Mr. Boyd from Amtrak here who was suggesting that, for $613 million, he couldn't run a nationwide Amtrak. If there's no Amtrak at all, that would give us $613 million. We could build an awful lot of bridges with that.

Mr. BARNHART. The Highway Department would accept.

SERIOUSNESS OF OHIO RIVER BRIDGE PROBLEM

Senator BYRD. Well, we've got a bridge here that could be a repeat of the Point Pleasant disaster.

What is your reaction to that statement I just made?

Mr. BARNHART. We recognize the seriousness of the problem. We have discussed with some of the other gentlemen from the area, the physical problems with the bridge.

I believe one of those will be shut down along about July for a couple of months, which is going to further compound the problem in that area. However, here, again, we have a problem of availability of funds. We have—there's no question that we have a serious problem with the bridge situation.

Mr. LAMM. The only thing I would add to that, Senator Byrd, is: we have been working very closely with Commissioner Miller and, as we are all aware, the original intention of the State of West Virginia was to build this facility using toll revenues and they would not have required any Federal-aid financing.

Inasmuch as the bond picture is different now than they originally intended, we are trying to make funding available, and I believe Mr. Reinhardt's comments in your colloquy indicated that it would be more likely that we could make funding available if the State were able to break their total bridge into a smaller number of projects, some of which we might get underway earlier.

Senator BYRD. How does this bridge rank with other bridges up and down the Ohio River between the two States of Ohio and West Virginia, from a standpoint of safety?

Mr. LAMM. I would say, sir, that it is obviously not the worst-condition bridge, because some replacement bridges have already been built under the discretionary bridge fund or at least have been begun.

Senator BYRD. I'm not talking about those that have already been built. I'm talking about those that remain.

Mr. LAMM. Of those that remain, I believe the sufficiency rating of seven that you listed for one of the existing bridges is probably enough to put it into one of the lowest sufficiency categories of any of the Ohio River bridges.

Senator BYRD. In assigning priorities for funding, how would the Secretary and the Federal Highway Administrator evaluate the following: One, the design for the Weirton-Steubenville Bridge—the design will be completed by April or May 1981; two, the construction of the bridge has already been started—$4.4 million has been spent to build the piers which are already in place; and three, the sufficiency rating, as you pointed out, is seven of the Market Street Bridge?

Mr. LAMM. Senator Byrd, all I can say is, again, as we have said, we would rate the proposed replacement bridges completely eligible for discretionary financing and we've talked about availability of funds. We would not want to have other cases where we have a bridge underway and perhaps piers are in the water and we don't go ahead with the next contract when it's ready to go.

That would be the only consideration that would lead to other bridges being higher on the tentative ranking.

Senator BYRD. So all of these factors would be in favor of moving ahead with this particular project, wouldn't they?

Mr. BARNHART. Sure.

Senator BYRD. You've got the piers that are sitting there. The design has been completed. You have the sufficiency rating of seven, et cetera, et cetera.

Mr. BARNHART. True.

Senator BYRD. OK, Mr. Chairman. I hope that the subcommittee will support my request to provide language in the report. Was there anything further?

Mr. LAMM. No, sir, not that I'm aware of.

Senator BYRD. Language in the committee report.

Senator ANDREWS. Thank you, Senator. I want to assure you that our hearts are in the right place. I happen to have a bridge in my State that the language was in the report last year, but no money is available; we built the approaches and we're waiting to move on, so I think we are both caught in the same net.

Maybe we can scrape together some money and take care of both of us.

Senator BYRD. Thank you.

GAO REPORT ON WEIGHT LIMITS AND ENFORCEMENT

Senator ANDREWS. July 1979 GAO report stated that Federal weight limits and monitoring of State weight enforcement programs are inadequate to protect the $96 billion Federal highway investment made since 1956. That sends shivers up an awful lot of spines.

What action are you taking to address this problem? What is really the appropriate Federal role?

Mr. LAMM. What we've done, since that report, Mr. Chairman, is, in conjunction with the States, to get a much more substantial weight enforcement program underway. As one of the earlier acts, we did correspond with several States whose weight enforcement programs were not considered adequate and we have, I think, developed a very good response from almost every State.

As you are aware, Congress requires that the Secretary receive certification from each Governor in January of each year that he has enforced his own size and weight limits during the preceding year.

We have received all of those certifications in Federal Highway Administration. We are presently reviewing them and we may develop another round of contacts with a few States if we find that their enforcement efforts are not adequate. I'm not predicting that we do so at this time.

RESOLVING BARRIERS TO TRUCK TRAFFIC ON INTERSTATE

Senator ANDREWS. In the same vein of weight levels in the Federal Interstate System, what are you doing in your shop now to resolve the problem of the barriers to truck traffic?

You start one from the Western States and as you roll East you run into a light weight region of States in the middle of the country. To get a truck from my State of North Dakota to Senator Byrd's State of West Virginia with the weight limits that we have on our own Interstate Systems is impossible, because, the minute they run into several of those Midwestern States, they have to offload, download or run significantly lower. This adds tremendously to the cost of moving merchandise. It adds tremendously to fuel consumption.

What are you doing to address that problem? It's been around for far too long.

Mr. LAMM. Congress asked the Secretary of Transportation to report on that issue in the 1978 Highway Act, Mr. Chairman. The Secretary's Office is underway right now with a report on that subject. We've been cooperating.

Senator ANDREWS. I would suspect, though, that a lot of that is coming from you.

Mr. LAMM. Yes, sir. A good deal of it. Though, as you would expect, the issue of truck size and weights has a little bit of influence on the rail industry, for instance, if there's a shift in commodity hauling from one mode of transportation to the other. So, for that reason, it's being handled by the Secretary's Office.

RAIL ABANDONMENTS AND SHIPPING WEIGHTS

Senator ANDREWS. Well, there are some commodities that simply can't be shipped by rail. They could if railroads would move in that direction but the railroads have totally abandoned the movement of fresh meat, for instance. They've totally abandoned the movement of potatoes and a host of other products.

You can't get potato cars on the railroad to the degree that you want to. Therefore, if you are going to ship potatoes from the River Valley East, you run into these weight barriers.

If you are going to ship beef from the plants in Souix City or West Fargo or wherever, you run into this weight problem and it isn't a matter of taking business away from the railroads. The railroads have abandoned this business by not wanting to provide the refrigerated cars that would normally haul it and being incapable of giving the turn-around time necessary to move this type of perishable commodity.

When do you suppose this report is going to come out and have you given due consideration to this barrier problem?

Mr. LAMM. Yes, sir. The report will be coming out fairly soon. I'll mention that it's one of a series of reports which Congress requested in 1978 and it's tied in with a jointly reviewed issue and that is, in the event we or the States, at their level, were to recommend heavier truck weight limits, should there also be additional revenues derived from the trucking interests to help offset the increased costs of maintaining the highway system?

That's a very controversial issue. It's being studied in the Department as well and we expect that the entire package will be to Congress about this time next year.

WEIGHT REQUIREMENTS AND INTERSTATE TRANSPORTATION

Senator ANDREWS. Well, I'm not addressing the question of increasing the weights over what we have in the majority of the States. I'm addressing specifically the low weight requirements that we have in a belt of States that hamper this type of interstate transportation.

Mr. LAMM. Yes, sir. In 1974, which is the last time Congress really acted on the Federal size and weight issue, the legislative language that was suggested by the former administration would have made an 80,000-pound truck weight limit mandatory on all States.

But Congress, in enacting the legislation, made it permissive. As a result, as you point out, the band of States along the Mississippi River have not, as yet, raised their truck weight limits above the 73,280-pound limit.

Senator ANDREWS. Would this 80,000 weight limit be damaging the highways or did this narrow belt of States somehow or other construct their interstate highway to a lesser degree of strength?

Is there some reason for this lower weight in the use of these States?

Mr. LAMM. Some people would say that the band of States along the Mississippi River have different construction materials than, let's say, North Dakota would or New Hampshire, or some of the other States that have a better rocky underbase.

However, it is possible to identify how much you'd be talking about in terms of estimated increased maintenance requirements to insure that the Highway Department or the DOT at the State level has that additional revenue coming in.

Unless Congress were to make the weight limit mandatory, though, the individual States are going to have to take that up at their level.

Mr. BARNHART. Which they are doing. Arkansas is in heavy debate now and has before it now a bill that would go to an 80,000-pound limit under certain types—with certain types of products.

INCREASING WEIGHT LIMITS AND MAINTENANCE REQUIREMENTS

Senator ANDREWS. But it's your feeling that they could approach the 80,000-pound limit without damaging interstate roads.

Mr. BARNHART. That's a debatable thing with the individual States.

Mr. LAMM. I think most statistics would say there is a small decrease in the life expectancy, even at the interstate level, because the highways were built to take an estimated number of heavy axle loads.

And, if the allowable limit goes up, then the number that is permitted shrinks and, eventually, the highways do need to be replaced.

Senator ANDREWS. In a related issue, the original intent behind the Interstate System was for the Federal Government to build it and the States to maintain it. Maintenance, particularly with these higher weight limits that we're talking about, is becoming a major expense. Though it's being addressed through your 3–R program, the States have apparently not properly maintained the investment.

What do you see as the system's future maintenance needs and what role should the Federal Government play in meeting these needs?

Mr. BARNHART. I'm not sure that it's fair to say that the States have discarded their responsibility on maintenance. Many of these highways are 20 years old. And, like bodies, there is a point beyond which temporary repair isn't possible.

And so we have to get into major reconstruction and that's what we are trying to address in the 4–R program.

Senator ANDREWS. Well, then, are you envisioning a role for the Federal Government to go out and, say, put an overlay on these interstate highways that have been in place for some 20 years so that, coupled with the base and surface already there, you'd have a surface that would, in fact, hold up to the increased weights on into the next century?

Mr. BARNHART. We do have a maintenance requirement that must be met.

Mr. LAMM. I believe your illustration is an example of exactly what we would like to have financed out of the long-term Federal program for Interstate 4–R, Mr. Chairman. We do see a continuing Federal role to protect the investment that we've already made in developing the Interstate System the first time around.

Senator ANDREWS. But, beyond the normal maintenance, ongoing fixing of the chuck holes and putting of asphalt in the joints and all of that, do we face, within the next decade, the challenge of, in effect, going in and putting a whole new mat on these highways to upgrade them?

Mr. LAMM. We submitted a report to Congress in January of this year which indicated that, roughly, 10 percent of the mileage, or 11 percent, actually, of the Interstate System, is now ripe for replacement and, furthermore, all during the 1980's, another 2,000 miles per year are going to reach the end of their economic life.

Senator ANDREWS. And you think replacement is better than this business of overlay?

Mr. LAMM. No, sir. It's strictly a State call. In many cases, a substantial overlay would provide another 10 or 15 years worth of good service.

FHWA STAFFING

Senator ANDREWS. Your revised budget reflects a reduction in full-time, permanent positions of 572 for fiscal 1982.

Can this be achieved through normal attrition or will a reduction in force be necessary?

Mr. BARNHART. I would suspect that we will have to have some reduction in force.

Senator ANDREWS. How are you going to handle it?

Mr. BARNHART. It's going to be a tough job and we're working on that right now, and making plans on that.

Les, can you go into that?

Mr. LAMM. I would just echo what Mr. Barnhart has said, Mr. Chairman: That it is going to be a very difficult time.

Obviously, we are thoroughly concerned about the feelings of our employees and we are not going to take any more reductions than we

absolutely have to. We plan to use attrition to the extent we can to achieve these reductions.

HIGHWAY SIGNS

Senator ANDREWS. One further question on highway signs. We got into this some time ago and you indicated your willingness, Mr. Barnhart, to resolve the problem in the States that you're waiting for the recommendations from the advisory board.

Mr. BARNHART. Yes, sir.

Senator ANDREWS. It occurs to me that, in the meantime, these States—my own State among them—risk the loss, through sanctions, of up to 10 percent of its highway allocations, possibly, before you receive the advisory board's recommendations.

And do we have your assurance that no sanctions will be imposed against the State while we are waiting for this recommendation to come down?

Mr. BARNHART. We have not had any allegations of noncompliance that I know of, so I don't see any danger of that at this time.

Senator ANDREWS. In other words, these sanctions are discretionary at the secretarial level, so, you know, we are kind of in this catch 22 situation.

Mr. BARNHART. There will be none recommended by this shop.

Senator ANDREWS. One final question.

Mr. BARNHART. I guess that's clear enough.

GREAT RIVER ROAD DEFERRAL

Senator ANDREWS. That's clear enough.

What's your rationale for proposing elimination of the Great River Road program?

Mr. BARNHART. Because we think it is duplicative. Most of those roads, again, could be handled under the regular program and so they will be eligible for the regular Federal program.

SUBMITTED QUESTIONS

Senator ANDREWS. Senator Abdnor?

Senator ABDNOR. No questions.

Senator ANDREWS. Mr. Barnhart, we appreciate your coming. I have a number of other questions that I'll submit for the record, as does Senator Chiles. We appreciate your answers and candor. It's a privilege to work with you.

Senator ABDNOR. Mr. Chairman, I have a couple of questions for the record, also.

Senator ANDREWS. Senator Abdnor will have, and I suspect a couple of the other Senators on the subcommittee will also have questions for the record.

Mr. BARNHART. Anything we can do to help. It's a cooperative venture.

Senator ANDREWS. Well, we just want to get a record that's pretty well defined because, when we go to the floor with this bill, after markup, we have to have the backup and the information to convince our colleagues of the necessity for the money that we are putting in

here and your candor helps a good deal in making as strong a case as possible when we get to the floor of the Senate and when we are in conference with the House.

Mr. BARNHART. The definition of gap is a very delicate thing. I recognize that. We will handle it delicately.

Senator ANDREWS. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

OUTDOOR ADVERTISING LEGISLATION

Senator Andrews: What is the status of Federal outdoor advertising legislation and rulemaking? What laws govern this at present and what changes, if any, are you proposing? Are any Federal funds being used for sign removals?

Response: The Federal Highway Administration is in the process of completing a reassessment of the highway beautification program. This action is being taken to determine the future direction and role of the Administration in the highway beautification area. The results or conclusions of the reassessment may necessitate regulatory changes, as well as legislative changes. However, there are currently no changes being proposed by this Administration.

The outdoor advertising sign control law is codified at 23 U.S.C. 131

Previously obligated Federal funds are currently being expended for the acquisition and removal of outdoor advertising signs.

LEGISLATIVE DESIGNATION FOR DISCRETIONARY BRIDGES

Senator Abnor: Mr. Barnhart, I appreciate the attention the Reagan Administration is paying to the bridge program. Costs of repair and replacement of major bridges are far too prohibitive for many states to handle under their regular allotment, which makes the Secretary's Discretionary Bridge Program even more important. In the proposed legislation I noted that you intend to increase the program from $200 million in Fiscal Year 1982 to $300 million in Fiscal Year 1983 through 1986. Do you still intend to require bridges to have legislative history to be considered?

Response: We do not intend that bridges must have specific legislative designation to be considered as candidates for the Discretionary Bridge Program. However, those with legislative history will be given special consideration.

MINORITY BUSINESS ENTERPRISE PROGRAM

Senator Andrews: What has been the impact of your Minority Business Program?

Response: The $287 million total was a preliminary figure. The correct, final figure is $232.7 million. The impact of FHWA's minority business enterprise program is best illustrated by comparing this figure with the corresponding figure for 1975 which is $37.5 million.

Senator Andrews: Besides the $287 million total for contracts awarded, how do you evaluate the program?

Response: Besides the total for contracts awarded, FHWA evaluates the program by considering how much contract work was awarded to minority business enterprises increases each year on a State-by-State basis; how the total of such awards compares with FHWA approved State goals and how good an effort the State exerted to assure attainment of its goal.

Senator Andrews: What distinguishes success from failure?

Response: It will be considered a success in the long term if the total amount of contracts awarded to minority business enterprises becomes reasonably commensurate with the total capacity that minority business enterprises can be expected to develop eventually.

ENERGY CONSERVATION

Senator Andrews: What are the goals of your program to emphasize energy conservation? How have you measured your efforts? What is your evaluation of your efforts?

Response: I am strongly supportive of energy conservation as a goal in the highway program. Through the Federal Highway Administration staff, my goal is to support the States in developing energy efficient highway systems. Implementation of measures such as traffic signalization improvements and ridesharing will support the development of energy efficient highways and the efficient use of those highways.

Efforts on energy efficiency are measured through periodic progress reports from our field offices. In general, the States continue to show a positive interest in energy efficiency measures. More specifically, efforts in the ridesharing, traffic signalization, goods movement, and construction practices are proceeding as they should. I intend to redirect our public information activities to provide more support to the States.

VALUE ENGINEERING

Senator Andrews: What has been your experience with "Value Engineering"? Explain what this is and how if differs from your previous practice. Have you found it to be a beneficial method of assessment?

Response: The Federal Highway Administration's experience with Value Engineering began in late 1975 with the initiation of a series of workshop-seminars for training. The Federal Highway Administration's goal was then, and continues to be, the development of a Value Engineering capability in each State highway agency and the adoption by the States of a procedure to perform routine studies, using the Value Engineering technique, to ensure maximum economy. Fifty-five workshops have been conducted throughout the country. Over $200 million of highway work has been subjected to Value analysis during these workshops and the studies have consistently produced savings of over 20 percent without reducing quality or functional goals.

Value Engineering is defined as "The systematic application of recognized techniques which identify the function of a product or service, establish a value for that function, and provide the necessary function reliably at the lowest overall cost, while maintaining desired quality." Prior to 1975, there were but few applications of Value Engineering in highway development. Value Engineering is not just "good engineering" nor is it typical cost reduction. As defined above, it is a systematic technique that must be applied on purpose. It uses a functional approach by a multi-disciplinary team and requires the creative generation of a wide range of cost-effective alternatives. The technique also incorporates procedures

for identifying areas of poor value thus limiting the Value Engineering effort to those areas having the greatest potential for success. These are the ways the techniques of Value Engineering differs from the dictionary definition and what has been practiced heretofore by the highway industry.

Since the Federal-aid highway program is one of grant-in-aid to the States, the success of Value Engineering must be measured by the benefits accruing to the States. At least 18 States now have an assigned staff with the responsibility for Value Engineering. Some of these are already measuring their accomplishments at $2-4 million annually. These States have used the process beneficially to modify standards, provide more cost-effective specifications, save energy, reduce manpower requirements, and downscope projects to bring them under budget. In short, we have found it to be one of the best techniques for the conservation of all resources, human and natural, as well as financial.

RAILROAD-HIGHWAY CROSSING DEMONSTRATION PROGRAM

Senator Andrews: What is the anticipated effect of elimination of the Railroad-Highway Crossing Demonstration Program?

Response: To the maximum extent possible available demonstration funds will be channeled to projects where the most could be accomplished, namely the actual construction of usable segments. It is anticipated that existing demonstration funds will be sufficient to complete several lower-cost projects or lower-cost usable segments on some of the major projects. However, most of the costly railroad relocation/consolidation projects will not be advanced beyond the engineering phase. The completion of those projects not accomplished under this demonstration program could be a matter for consideration at the State and local level.

Senator Andrews: Can these projects be funded out of other Federal-aid highway money allocated to the States?

Response: Federal-aid highway funds could be used to fund all or at least major portions of the demonstration projects depending upon the extent a proposed project involves elimination of hazards or addresses highway mobility issues at railroad-highway crossings. The decision on actual use of Federal-aid highway funds would rest with the State and local highway authorities who are responsible for establishing priorities for these funds.

FUNDING ALASKAN HIGHWAY (SHAKWAK PROJECT)

Senator Andrews: What is the status of the Alaska Highway?

Response: Currently, construction is underway on 62 miles in the vicinity of Haines Junction, and on 13.5 miles north from the south Alaskan/Canadian border.

Senator Andrews: What are your plans regarding its future funding?

Response: We perceive this as benefiting only one State, Alaska, and, therefore, we are not asking for any Federal funding in this

because of the position we take on projects of other nature that only benefit one State or one area.

Senator Andrews: How much budget authority remains?

Response: The Federal-Aid Act of 1973 authorized $58.67 million for the project and to date, $37.327 million has been appropriated and obligated. There has been no appropriation for the difference.

COAL HAUL ROADS

Senator Andrews: What special attention/funding is being given to coal haul roads? Which States are receiving money for related problems and in what amounts? Please list the States and amounts for FY 80 and any estimates you have for FY 81.

Response: In Section 153 of the Federal-Aid Highway Act of 1976, the Congress directed the Secretary of Transportation to investigate the need for a special program of Federal assistance to improve highways which are being used to transport coal or other energy resources. The report on that investigation, submitted to the Congress on August 18, 1978, concluded that the use of the highways by loaded coal trucks is and will continue to be a major part of the energy transportation system, and that some States will have difficulty financing the improvements required to restore roads already heavily damaged by coal hauling. The report further recommended that the States increasingly direct revenues from existing Federal programs, such as the Federal-aid highway program, to reconstruct roads that require immediate improvement.

Further analysis of the coal road transportation issue since 1978 resulted in the "Coal Haul Roads Study" report in April 1980. Sixteen States joined with the Federal Highway Administration in the collection and analysis of data during that investigation which identified the roads being used by coal trucks and estimated the costs of needed improvements to those roads.

Although no separate or special category of Federal-aid highway assistance exists for coal haul roads, most of these roads are already eligible for assistance through existing Federal-aid programs. Our studies have shown that about three-fourths of the Nation's coal road miles are on existing Federal-aid systems. Because our accounting records do not allow us to separate improvements to coal haul roads on the Federal-aid systems from improvements to Federal-aid roads that are not used for coal hauling, we are unable to answer your question directly, even though many States have undoubtedly used Federal-aid funds for improving coal haul roads.

IMPACTS OF PROGRAM RESTRUCTURE

Senator Andrews: What are the expected impacts of eliminating the urban and secondary programs? Please address them separately. Will States be prohibited to use other Federal funds in these areas? Please explain the options available to States wishing to use funds in those areas.

Response: The elimination of the urban and secondary programs will mean that States will have to reassess their longer term priorities and financing plans to assure continued performance on those systems. Given the Federal commitment to an expanded "4R" program on the

Interstate System, and the strong affirmation of continued Federal support for the primary, the States will be in a position to focus their attention and funds on secondary and urban needs. The States will be able to transfer up to 50 percent of their primary apportionment to the secondary or urban system apportionment in Fiscal Years 1982 and 1983 as provided for in current law. Such transfers would not be possible in Fiscal Years 1984-1986 because there would be no apportionments for the secondary and urban programs and the law states that an apportionment for a fiscal year cannot be increased by more than 50 percent. Under the Administration's program, the States will also be free of the Federal requirements and standards on these local systems, thus reducing their costs of meeting needs on these systems.

RESEARCH AND DEVELOPMENT ACTIVITIES

Senator Andrews. Please identify all offices and funds involved in research and development activities in FHWA. List the office, a brief summary of the project, the funds spent in-house and those funds which went to an outside consultant.

Response: The offices involved with research programs in the Federal Highway Administration include the Offices of Research and Development, the Office of Safety and the Office of Planning. We will provide details of their programs for the record.

SUMMARY OF RESEARCH AND DEVELOPMENT ACTIVITIES

A summary of the research and development activities for fiscal year 1980 follows:

OFFICES OF RESEARCH AND DEVELOPMENT

IMPROVED HIGHWAY DESIGN AND OPERATION FOR SAFETY

This program is to conduct safety research and development related to the "three and one-half standards" of the highway safety program for which the Federal Highway Administration is responsible. Research and development areas include geometrics and traffic control, traffic operations, accident analysis and reduction strategies, and development of new hardware and construction techniques to improve safety.

Funding in fiscal year 1980
Contract Program----$8,364,000 1/
In-house research--- 120,000 2/

REDUCE CONGESTION AND IMPROVE ENERGY EFFICIENCY

This program is concerned with providing improved, more fuel efficient design for new facilities, and greatly increasing the operational efficiency of existing highways by improved utilization (more people per car) and by keeping the demand-capacity relationship balanced through signal timing and rerouting of traffic.

Funding in fiscal year 1980
Contract program----$2,217,000
In-house research--- 135,000

1/ Includes administrative contract funds only
2/ Includes salaries, facilities, and support costs

ENVIRONMENTAL CONSIDERATIONS IN HIGHWAY DESIGN, LOCATION, CONSTRUCTION AND OPERATION

This program seeks assurance that highways will not degrade the overall environment. Social, economic, and environmental effects of highways are studied to optimize beneficial effects and to eliminate or reduce adverse impacts.

Funding in fiscal year 1980
Contract program----$1,641,234
In-house research--- 50,000

IMPROVED MATERIALS UTILIZATION AND DURABILITY

This program is directed toward using natural or substitute materials, depending on economic considerations, to construct a highway transportation system that will match performance requirements with traffic demands. Materials research addresses a range of topics including bridge foundations, pavement subgrades, pavement materials, and corrosion control.

Funding in fiscal year 1980
Contract program----$2,405,000
In-house research--- 550,000

IMPROVED DESIGN TO REDUCE COSTS, EXTEND LIFE EXPECTANCY AND INSURE STRUCTURAL SAFETY

Research and development to enhance the structural adequacy and performance of pavements, bridges, and tunnels, on all kinds of highways, from freeways to low volume roads, is providing cost-effective measures for improving and preserving the Nation's highways. Technological advances in structural design are also enhancing the capability of these structures to withstand earthquakes, wind and floods.

Funding in fiscal year 1980
Contract program----$3,163,000
In-house research--- 145,000

IMPROVED TECHNOLOGY FOR HIGHWAY CONSTRUCTION AND MAINTENANCE

This program is aimed at optimizing the use of construction and maintenance resources by improving management techniques, developing and evaluating equipment and materials and value engineering studies of selected operations.

Funding in fiscal year 1980
Contract program----$1,661,000
In-house research--- 35,000

RESEARCH AND DEVELOPMENT MANAGEMENT AND COORDINATION

The requirements are to provide program support to all technical program areas and to facilitate research on new technology and advanced concepts. In the advanced technology area - the objective is to examine new technology and its possible application to future highways and to gain basic information about the performance of the existing highway system.

Funding in fiscal year 1980
Contract program----$1,920,000
In-house research--- 0

BUREAU OF MOTOR CARRIER SAFETY[1]

REQUIRED REGULATIONS ANALYSIS

This program is to reduce the number of commercial vehicle accidents, injuries, and fatalities on the Nation's highways by reasonable and practical regulations supported by full economic impact assessments. This effort will aid the systematic review and update of existing safety regulations, and avoid unnecessary regulatory requirements. A major effort under this program was the analysis of the regulations governing the hours of service of commercial vehicle drivers, Part 395.

Funding in fiscal year 1980
Contract Program---- $190,000
In-house research--- 0
Consultant---------- 0

STRUCTURAL INTEGRITY IN SAFETY OR COMMERCIAL VEHICLES

This program is concerned with improving the unsafe vehicle. The continued occurrences of hazardous materials incidences, which result in catastrophic loss of life, can probably be reduced appreciably by redesign of key structural components of the vehicle. A provision for adequate structural integrity of vehicle cabs from penetration or crush could prevent the loss of operator life occurring in many commercial vehicle accidents. A major effort under this program was the "Analysis of Operating Practices - Axle Positioning."

Funding in fiscal year 1980
Contract Program---- $ 50,000
In-house research--- 0
Consultant---------- 0

RELATIONSHIP OF TRUCK AND BUS ACCIDENTS TO VEHICLE AND DRIVER CHARACTERISTICS

This program will provide opportunities for the elimination, revision, or establishment of safety regulations to improve commercial motor vehicle safety on our highways by defining unsafe operator actions and faulty operations of commercial motor vehicles. A major effort under this program is the "Hazardous Materials Commodity Flow Study," which portrays hazardous materials incident experience on the Interstate Highway System.

Funding in fiscal year 1980
Contract Program---- $100,000
In-house research--- 0
Consultant---------- 0

1/ 5 percent or $60,000 FY '80 Funds deferred to FY '81.

RIDE QUALITY OF COMMERCIAL MOTOR VEHICLES AND IMPACT ON TRUCK DRIVER PERFORMANCE

This program is to improve highway safety and the near and long term health of drivers by reducing the adverse effects of shock and vibration in commercial motor vehicles. A major effort under this program is the "Quality of Ride Program Identification on Significant Factors in Truck Ride Quality."

Funding in fiscal year 1980	
Contract Program----	$ 60,000
In-house research---	0
Consultant----------	0

HUMAN FACTORS STUDIES OF INTERSTATE MOTOR CARRIER OPERATIONS

This program is directed toward the improvement of the occupational environment; reducing the possibility of injury or illness to employees. It will also aid in reducing accident experience by initiating recommended training levels for new drivers and methodology for upgrading skills of presently employed drivers. The major FY 1980 efforts under this program were:

(a) "Voluntary Employee Injury Reporting System." This project is to develop a system to generate information on personal injury accident patterns for employees which work in, on, or about commercial motor vehicles.

(b) "Curriculum for Training Tractor Trailer Drivers"

Funding in fiscal year 1980	
Contract Program----	$240,000
In-house research---	0
Consultant----------	0

OFFICE OF PLANNING AND POLICY DEVELOPMENT

DEVELOPMENT AND EVALUATION OF POLICY AND PROGRAM ALTERNATIVES

This category of contract studies analyzes program and policy alternatives in terms of future highway system requirements and evolving program priorities. Most studies are integral parts of larger in-house studies that feed into Federal Highway Administration's program and policy development process. Studies provide data to support legislative initiatives and many Congressionally-mandated studies requiring contract work are funded through this category if supplemental appropriations are not provided.

Fiscal Year 1980 Contract Funding	$188,669
Fiscal Year 1980 Funding of In-House Studies	-0-

MEASURING AND IMPROVING SYSTEMS PERFORMANCE

The project's major objective is to develop a measuring system that will provide information about system extent, condition, usage, performance, etc., as a basis for better State and national perspectives on the merits of transportation programs. Results are used to report to the Congress on the condition of our Nation's highways and to provide the States with similar capabilities in regard to State

legislative bodies. Results will also be useful to State and local transportation planners, as well as Federal planners, in assessing alternatives and in developing requirements and priorities for improved transportation.

Fiscal Year 1980 Contract Funding	$243,545
Fiscal Year 1980 Funding of In-House Studies	-0-

IMPROVED PLANNING METHODOLOGY

The objective of this project is to develop new and improved planning procedures to enable Federal Highway Administration, and State, and local agencies to more efficiently and effectively define and evaluated transportation alternatives. Improvements will be made in both short-range and longer-range planning and in travel estimation procedures for assessing policy implications.

Fiscal Year 1980 Contract Funding	$847,867
Fiscal Year 1980 Funding of In-House Studies	-0-

INTERJURISDICTIONAL TRUCKING PROGRAM

The objective of this project is to foster uniformity and reduce duplication in the State motor carrier regulation of interstate commerce and thus to provide greater efficiencies within the motor carrier industry, greater responsiveness to shippers and lower prices to consumers. To meet the goal, Federal Highway Administration will encourage the States to simplify and standardize their requirements and automate truck registration, permit acquisition, and fuel tax reporting.

Fiscal Year 1980 Contract Funding	$1,559,213
Fiscal Year 1980 Funding of In-House Studies	-0-

HIGHWAY COST ALLOCATION STUDY

The study was required by Section 506 of the Surface Transportation Assistance Act(STAA) of 1978. Cost allocation is the distribution of the user tax burden among vehicle classes (cars, trucks, buses). Congress required this study as a prerequisite to revamping the Highway Trust Funds user taxes. The overall objective is to establish data bases and causal relationships that can be applied to determine: (a) the costs occasioned by the various vehicle classes; (b) alternative tax structures to math cost responsibility; (c) the need for long-term pavement monitoring; and (d) the impact of alternative tax structures.

Fiscal Year 1980 Contract Funding	$4,717,138
Fiscal Year 1980 Funding of In-House Studies	-0-

CARPOOL/VANPOOL SUPPORT PROGRAM

The Surface Transportation Assistance Act of 1978 authorized $1,000,000 for Fiscal Year 1980 and $1,000,000 for Fiscal Year 1981 to be used to encourage carpooling and vanpooling, to remove regulatory barriers, and to give technical assistance to State and local governments and public and private employers to implement programs. Federal Highway Administration uses these funds to carry out various activities: such as public information, removing legal impediments, improving the skills of ridesharing practitioners and

broad technical assistance, including a National Ridesharing Information Center and a Loaned Executive Program.

Fiscal Year 1980 Contract Funding	$989,897
Fiscal Year 1980 Funding of In-House Studies	-0-

MOTOR CARRIER SAFETY

Senator Andrews: Your motor carrier safety activity involves highway safety inspection and law enforcement over commercial interstate carriers. Please summarize the recent reports on this activity by the Inspector General, NTSB, and GAO regarding this Bureau's effectiveness.

Response: The Inspectors General's Report of 1979 recommended a reassessment of the Bureau's voluntary compliance philosophy; that improvements be made in the automated management information system to identify problem carriers; mandatory registration, and that quality control procedures be established.

The General Accounting Office in 1980 recommended that the Bureau improve its automated management information system to identify problem motor carriers; establish standards for development of enforcement cases to ensure uniform and adequate preparation; reduction in delays for disposition, and reduction in variance between penalty amounts sought and received. It was also recommended that empahsis be placed on the need to use noncompliance and accident information and other data concerning motor carriers provided by State agencies in Bureau activities.

The latest National Transportation Safety Board's report indicated that the Federal Highway Administration's organizational structure discouraged, or in fact, hindered the Bureau's centralized authority. Control of field activities and uniformity of the national program is, therefore, lacking. The report focused on hazardous materials transportation and recommended improvements of the automated management information capability by the development of written plans. Other recommendations related to developing explicit criteria for focusing limited resources on problem carriers and shippers; developing enforcement cases and documentation of the basis for arriving at settlement amounts in civil forfeiture, and that truck inspections be performed on a random basis of sufficient magnitude to provide for statistically accurate assessments of regulatory compliance.

Senator Andrews: What is your view on the proper State and Federal roles in this regard. What actions are you taking to get the States more involved.

Response: It is our view that the States should conduct those motor carrier safety activities for which they are best suited and the Federal Government should conduct only those activities that are beyond the scope of State law. As an example, States should conduct roadside motor vehicle inspections and the Federal Highway Administration should conduct safety audits at carriers' principal place of business where carriers' operations transcend any single State jurisdiction

We have taken a number of actions to encourage States to participate in many areas of mutual concern involving problems of motor carrier safety. We have sought and obtained cooperative enforcement agreements in all 50 States and the District of Columbia. We have encouraged States to adopt the Federal Motor Carrier Safety Regulations. Some 31 States have done so. We are currently a party to a Departmental study of the total Motor Carrier Safety Program. The study is basically a comparative analysis of Federal and State motor carrier safety activities. The study started in September 1980 and is expected to be completed by September 1981. The study is to

be used to decide the future direction of the Motor Carrier Safety Program.

Senator Andrews: Please provide a narrative and numerical description of your motor carrier safety program.

Response: The mission of the Bureau of Motor Carrier Safety is to reduce the risk of commercial vehicle accidents; to decrease fatalities, injuries, and property losses caused by commercial vehicle accidents; and to help reduce casualties and economic loss due to all types of motor vehicle accidents (driver-vehicle-highway-cargo). The Bureau also initiates research and development projects within the Federal Highway Administration to devise safer means of operating commercial vehicles.

The Federal laws and regulations which the Bureau of Motor Carrier Safety and the Federal Highway Administration field staff are delegated authority to enforce are: The Federal Motor Carrier Safety Regulations, the Hazardous Materials Regulations pertaining to the transportation of hazardous materials by the highway mode, the Interstate Motor Carrier Noise Emission Standards, and Executive Order 11836 "Increasing the Effectiveness of the Transportation Cargo Security Program." The Bureau of Motor Carrier Safety also assists the Environmental Protection Agency in administering and enforcing its standards covering the shipment and transportation by highway of hazardous waste, including radioactive waste, pursuant to the Resource Conservation and Recovery Act of 1976.

The motor carrier industry consists of 174,000 motor carrier entities operating some 3.5 million medium and heavy commercial vehicles and employs approximately 4 million full or part-time drivers. There are approximately 13,000 shippers of record who ship hazardous materials that are subject to the Hazardous Materials Regulations.

The method used in accomplishing the objectives of the motor carrier safety program is direct contact with the motor carrier industry and shippers of hazardous materials by a field staff through a work program structured to gain compliance with the applicable Federal laws and regulations. The effort is augmented by training personnel of States that have adopted the Federal regulations and are conducting safety program implementation activities.

Violations of the Federal Motor Carrier Safety Regulations are investigated to develop evidence for enforcement cases. In addition to court action, the Bureau can initiate enforcement action which can result in civil forfeiture proceedings. During Fiscal Year 1980, 306 civil forfeiture and criminal cases were completed. Penalties in the amount of $1,200,000 were collected. Voluntary and directed compliance orders were obtained in many of the proceedings.

Investigations are also made of complaints from truck drivers and members of the public concerning unsafe practices by motor carriers. Remedial action is required when violations are discovered.

Personnel of the Bureau of Motor Carrier Safety make every effort available to the public for participation in discussions, conferences, and programs on commercial vehicle safety and Federal regulations. By participating in seminars, the field staff assists motor carriers and their employees in appropriate compliance with applicable regulations.

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The Bureau of Motor Carrier Safety maintains a toll-free telephone "Hot Line" direct to Bureau of Motor Carrier Safety Headquarters which permits truck drivers, motor carrier personnel, shippers of hazardous materials, and citizens to make inquiries and receive responses relative to the Federal Motor Carrier Safety Regulations. It also permits complaints to come to a single focal point for appropriate handling.

A schedule showing the principal work activities of the field staff and work units completed for the last three fiscal years and the forecast for Fiscal Year 1981 is attached.

FEDERAL HIGHWAY ADMINISTRATION
PRINCIPAL WORK ACTIVITIES IN MOTOR CARRIER SAFETY PROGRAM

	Completed			Forecast	Percent Increase
	FY 1978	FY 1979	FY 1980	FY 1981	Over FY 1980
Safety Management Activities					
Safety Management Audits at Carrier Facility	4,263	3,988	3,950	4,000	1
Safety Management Audits, Hazardous Materials Carriers	1,521	1,604	1,673	2,000	20
Safety Management Audits, Hazardous Materials Shippers	1,203	1,349	1,470	2,000	36
Cargo Security Reviews	15	70	157	100	(36)
Extended Runs Examined	203	191	132	100	(24)
Roadside Driver/Equipment Examination - Truck	23,992	23,715 1/	25,858	37,000	43
Out-of-Service Trucks	8,469	9,790	9,813	13,000	32
Roadside Driver/Equipment Examination - Bus	1,713	2,365	6,017	4,000	(34)
Out-of-Service Buses	736	968	971	600	(34)
Out-of-Service Drivers (Truck and Bus)	602	1,976	3,696	4,500	22
Exterior Noise Examination	7,438	11,692	12,284	9,000	(27)
Enforcement Activities					
Case Reports	1,107	1,617	1,183	1,200	1
Civil Forfeiture Proceedings	130	185	243	300	23
Investigation of Carrier Accidents					
Accidents Investigated	137	131	120	200	67
Carrier Accident Reports Reviewed	36,504	37,500	37,500	39,000	4
Hazardous Material Incident Report Reviewed	16,808	16,000	18,000	20,000	11
Hazardous Material Incident Investigation	368	107	121	200	65
Technical Assistance and Safety Education					
Assist States and Government Agencies	2,133	3,792	3,253	3,000	(8)
Safety and Hazardous Materials Meetings	1,234	858	823	700	(15)

Central Headquarters Activities: This work is not susceptible to quantification but includes development, promulgation, and interpretation of Regulations, Carrier Accident Report processing and statistical analysis; Safety Fitness Reporting to the Interstate Commerce Commission; Special Permit Application Review and Approval; Staff Management Analysis; Administrative Support and Program Direction.

1/ Amount dropped due to 6 weeks' moratorium on roadside vehicle examination during independent truckers' strike.

DESCRIPTION OF THE HIGHWAY TRUST FUND

Senator Andrews: Please provide a numerical and narrative description of the Highway Trust Fund. Include a list of yearly expenditures since 1980.

Response: The Highway Trust Fund was established on the books of the Treasury in fiscal year 1957, in accordance with provisions of section 209 of the Highway Revenue Act of 1956, as amended (23 U.S.C. 120 note). Amounts equivalent to taxes on gasoline, diesel fuel, special motor fuels, tires, tubes, tread rubber, commercial motor vehicles, truck use, lubricating oil, and parts and accessories for trucks, buses, etc., are designated by the act to be appropriated and transferred from the general fund of the Treasury to the trust fund. These transfers are made at least monthly on the basis of estimates by the Secretary of the Treasury, subject to adjustments in later transfers to the amount of actual tax receipts. Amounts available in the fund in excess of outlay requirements are invested in public debt securities and interest thereon is credited to the fund. There are also credited to the fund repayable advances from the general fund, as authorized and made available by law, to meet outlay requirements in excess of available revenues during a portion of a fiscal year, if necessary.

Amounts required for outlays to carry out the Federal-aid highway program are made available to the Federal Highway Administration, Department of Transportation. Other charges to the trust fund are made by the Secretary of the Treasury for transfers of certain taxes to the land and water conservation fund, refunds of certain taxes, repayments of advances from the general fund, and the interest on advances.

Annual reports to Congress are required by section 209(e)(1) of the act to be submitted by the Secretary of the Treasury not later than the first day of June, after consultation with the Secretary of Transportation. These reports cover the financial condition and the results of operations of the fund for the past fiscal year and its expected condition and operations during subsequent fiscal years. The Federal-aid Highway Act of 1978 (Public Law 95-599, approved November 6, 1978) extended the termination date of the fund to September 30, 1984.

The following table displays a numerical history of the Highway Trust Fund since 1970:

ANALYSIS OF THE HIGHWAY TRUST FUND
(Dollars in thousands)

Fund Balance, EOY 1969	$ 1,520,827
1970 Revenues	5,469,037
1970 Expenditures	-4,378,253
Fund Balance, EOY 1970	2,611,611
1971 Revenues	5,725,433
1971 Expenditures	-4,685,348
Fund Balance, EOY 1971	3,651,696
1972 Revenues	5,528,053
1972 Expenditures	-4,690,217
Fund Balance, EOY 1972	4,489,531

1973 Revenues	5,912,194
1973 Expenditures	-4,811,036
Fund Balance, EOY 1973	5,590,688
1974 Revenues	6,674,976
1974 Expenditures	-4,599,013
Fund Balance, EOY 1974	7,666,652
1975 Revenues	6,773,827
1975 Expenditures	-4,843,089
Fund Balance, EOY 1975	9,597,390
1976 Revenues	5,999,864
1976 Expenditures	-6,520,603
Fund Balance, EOY 1976	9,076,650
Transition Quarter Revenues	1,689,433
Transition Quarter Expenditures	-1,757,560
Fund Balance, EOY Transition Quarter	9,008,523
1977 Revenues	7,302,299
1977 Expenditures	-6,147,175
Fund Balance, EOY 1977	10,163,646
1978 Revenues	7,566,594
1978 Expenditures	-6,057,737
Fund Balance, EOY 1978	11,672,503
1979 Revenues	8,046,098
1979 Expenditures	-7,154,141
Fund Balance, EOY 1979	12,564,460
1980 Revenues	7,647,310
1980 Expenditures	-9,212,311
Fund Balance, EOY 1980	10,999,460
1981 Revenues (est.)	7,935,217
1981 Expenditures (est.)	-8,758,509
Fund Balance, EOY 1981 (est.)	10,176,168
1982 Revenues (est.)	7,762,000
1982 Expenditures (est.)	-8,142,200
Fund Balance EOY 1982 (est.)	$9,795,968

PROGRAMS FUNDED FROM HIGHWAY TRUST FUND

Senator Andrews: Provide a list of all programs for which Highway Trust Fund money can be spent.

Response: Highway Trust Fund money is currently expended for the following programs:

Federal Highway Administration
- Federal-aid Highways
- Interstate Transfer Grants
- Highway-Related Safety Grants
- Baltimore-Washington Parkway
- Miscellaneous Trust Funds-Demonstration Programs:
  - Project Acceleration Demonstration
  - Traffic Control Signalization Demonstration
  - Intermodal Urban Demonstration
- Trust Fund Share of Other Highway Programs:
  - National Scenic and Recreational Highway
  - Railroad-Highway Crossings Demonstration
  - Rail Crossings-Demonstration
  - Rural Highway Public Transportation Demonstration
  - Bicycle Program
- Highway Safety Research and Development

Overseas Highway
Right-of-Way Revolving Fund
Carpool/Vanpool Support
National Highway Traffic Safety Administration
Trust Fund Share of Highway Safety Programs:
State and Community Grants
Highway Safety Research and Development
Department of Agriculture, Forest Service
Highland Scenic Highway
Highland Scenic Highway Study

EXCLUSIONS FROM HIGHWAY TRUST FUND

Senator Andrews: List any programs or projects for which Highway Trust Fund money is specifically forbidden to be used.

Response: Title 23, United States Code, section 101 states the following:

"No funds authorized to be appropriated from the Highway Trust Fund shall be expended by or on behalf of any Federal department, agency, or instrumentality other than the Federal Highway Administration unless funds for such expenditure are identified and included as a line item in an appropriation Act and are to meet obligations of the United States heretofore or hereafter incurred under this title attributable to the construction of Federal-aid highways or highway planning, research, or development, or as otherwise specifically authorized to be appropriated from the Highway Trust Fund by Federal-aid highway legislation."

PRIMARY SYSTEM MATCHING RATIO

Senator Andrews: By how much has the share of total primary system funding risen from 1970 to 1979?

Response: The Federal share was increased from 50 percent to 70 percent for projects obligated after June 30, 1973, by Section 108 of the Federal-aid Highway Act of 1970 as amended by Section 153 of the Federal-aid Highway Act of 1973.

Section 129 of the Surface Transportation Assistance Act of 1978 increased the Federal share to 75 percent.

HIGHWAY TRUST FUND BALANCES

Senator Andrews: If fiscal 1981 authorizations were escalated to maintain current buying power, how soon would the Trust Fund become bankrupt?

Response

Fortunately, the Highway Trust Fund can never be in a bankrupt position, i.e., unable to pay the bills when they come. The Byrd Amendment (Section 209(g) of the Highway Revenue Act of 1956, as amended) prohibits the placing of the Trust Fund in an insolvent or deficit position. Under the Byrd Amendment the Secretary of the Treasury must certify to the Secretary of Transportation that the Trust Fund will have sufficient funds to defray expenditures resulting from apportionments of Federal-aid highway funds which are chargeable to the Trust

Fund when they come due. When the Secretary of the Treasury so advises the Secretary of Transportation that there will be insufficient funds to meet the expenditures, the Secretary of Transportation is required to reduce the apportionment by a percentage that will ensure the solvency of the Trust Fund.

Given the assumptions stated in the question the Byrd Amendment would have to be invoked with the apportionment of funds which would become available at the start of FY 1984 under the present tax rates supporting the Trust Fund. The authorizations are increased by the rates of increase in the gross national product (GNP) deflator contained in the FY 1982 Budget Revisions of March 10, 1982, then the following authorization levels would result. FY 1982 $10.3 billion; FY 1983 $11.0 billion; and FY 1984 $11.7 billion. Full apportionment of this $11.7 billion would put the Trust Fund in a deficit position. Therefore, the Secretary of Transportation would have to reduce the FY 1984 apportionments and as well as those for all subsequent years as the Trust Fund will average about $7 billion a year in the mid-1980's.

ACCRUAL BASIS OF HIGHWAY TRUST FUND

Senator Andrews: What is your position on whether or not the Highway Trust Fund should be converted to a cash flow basis? What would be the advantages and disadvantages?

Response: The accrual basis means that, at any point in time, the Highway Trust Fund plus the revenues expected during the remaining life are sufficient to liquidate all extant authorizations chargeable to the Trust Fund.

The Department of Transportation's March 17 legislative proposal (S. 841) requested extending the Trust Fund taxes to 1989 and the Trust Fund itself until 1990 to cover authorizations for FYs 1984-1987 for the Interstate program and for FYs 1983-1986 for the non-Interstate programs. This is our endorsement of the accrual basis with the Trust Fund receiving sufficient revenues to meet these authorizations.

Cash flow means, simply, to pay bills as they come due. This is an impossible extreme with regard to the Trust Fund, because of the conditions imposed by the Byrd Amendment. This amendment requires the Secretary of the Treasury to ensure that the Trust Fund is not in a deficit situation at the end of a fiscal year and to notify the Secretary of Transportation on an annual basis if the Trust Fund will have insufficient funds to defray expenditures that would result from upcoming apportionments. Such apportionments, or a percentage of them, are to be withheld if it becomes evident that the Trust Fund balance is insufficient.

1980 AND 1981 FEDERAL-AID HIGHWAY OBLIGATIONS

Senator Andrews: Please provide for the record a listing of FY 80 and FY 81 (estimates) Federal-aid Highway obligations by State.

Response: The following table displays actual 1980 Federal-aid Highway obligations by State, as well as estimates for 1981:

U. S. DEPARTMENT OF TRANSPORTATION
Federal Highway Administration

Federal-aid Highway Obligations
(Thousands of Dollars)

State	Actual FY 1980	Estimated FY 1981
Alabama	$137,410	125,806
Alaska	103,105	104,172
Arizona	104,742	96,239
Arkansas	65,763	67,546
California	482,080	502,859
Colorado	106,277	98,448
Connecticut	53,771	112,624
Delaware	27,934	41,178
Florida	438,085	251,254
Georgia	271,262	205,744
Hawaii	57,464	74,666
Idaho	31,116	49,798
Illinois	271,624	233,394
Indiana	129,781	123,127
Iowa	123,171	110,970
Kansas	129,091	97,932
Kentucky	183,092	135,626
Louisiana	169,933	191,940
Maine	40,150	40,140
Maryland	492,084	204,726
Massachusetts	112,817	146,722
Michigan	200,454	194,466
Minnesota	138,868	149,862
Mississippi	46,772	68,802
Missouri	154,490	139,854
Montana	81,856	64,491
Nebraska	57,178	64,786
Nevada	62,004	52,930
New Hampshire	37,445	37,646
New Jersey	122,490	163,739
New Mexico	52,840	83,552
New York	408,852	375,768
North Carolina	155,621	146,552
North Dakota	52,506	48,696
Ohio	180,755	208,470
Oklahoma	90,612	71,875
Oregon	87,524	95,221
Pennsylvania	444,906	340,382
Rhode Island	29,366	55,683
South Carolina	58,436	90,825
South Dakota	50,723	48,658
Tennessee	164,135	151,612
Texas	471,937	357,550
Utah	90,675	76,355
Vermont	31,458	38,471
Virginia	170,762	199,813
Washington	204,106	186,514
West Virginia	218,074	99,970
Wisconsin	120,819	108,467
Wyoming	55,133	52,999

State	Actual FY 1980	Estimated FY 1981
Dist. of Col.	12,960	53,048
Puerto Rico	29,403	26,720
State totals	7,613,912	6,868,688
20% 1/	...	1,692,528
Other 2/	462,743	388,784
Total Obligations	8,076,655	8,950,000

1/ 20% withheld from apportionment, to be distributed after August 1, 1981 pursuant to the provisions of the 1981 Appropriations Act (P.L. 96-400)

2/ Includes obligations for Administration, Bridges over Federal Dams, Emergency Relief, Territorial TQ

FUEL TAX

Senator Andrews: Please provide for the record the fuel tax revenues listed by State for FY 80 and any figures you have to date from FY 81.

Response

The following table is a preliminary estimate of State motor-fuel tax revenues for calendar year 1980. State motor-fuel data are not compiled on a fiscal year basis. State motor-fuel tax data is not available for 1981 at this time.

MOTOR FUEL NET GALLONAGE RECEIPTS
(THOUSANDS OF DOLLARS)

State	Receipts	State	Receipts
Alabama	195,019	Missouri	201,570
Alaska	18,010	Montana	50,286
Arizona	121,904	Nebraska	110,110
Arkansas	135,071	Nevada	31,930
California	782,156	New Hampshire	45,053
Colorado	106,000	New Jersey	286,069
Connecticut	149,108	New Mexico	66,805
Delaware	29,114	New York	467,306
Dist. of Col.	16,428	North Carolina	290,566
Florida	391,811	North Dakota	36,761
Georgia	242,726	Ohio	387,604
Hawaii	27,682	Oklahoma	128,756
Idaho	52,712	Oregon	103,962
Illinois	388,663	Pennsylvania	588,384
Indiana	251,014	Rhode Island	39,582
Iowa	187,272	South Carolina	177,678
Kansas	122,482	South Dakota	55,004
Kentucky	178,655	Tennessee	192,212
Louisana	181,252	Texas	461,004
Maine	49,342	Utah	70,465
Maryland	173,843	Vermont	22,475
Massachusetts	216,532	Virginia	259,267
Michigan	501,112	Washington	284,489
Minnesota	238,726	West Virginia	86,893
Mississippi	126,430	Wisconsin	205,551
		Wyoming	36,410
U.S. TOTAL	9,569,258		

MOTOR FUEL TAX

Senator Andrews: How has the reduction in fuel consumption affected revenue for the Highway Trust Fund? Please provide annual revenue totals since 1968.

Response:

NET MOTOR FUEL TAX REVENUES DEDICATED TO THE HIGHWAY TRUST FUND 1968-1980

Fiscal Year	(Millions of dollars)
1968	$3,096
1969	3,181
1970	3,693
1971	3,934
1972	3,893
1973	4,159
1974	4,301
1975	4,304
1976	4,219
1977	4,707
1978	4,722
1979	4,834
1980	4,420

EMERGENCY RELIEF (ER) PROGRAM

Senator Andrews: Your emergency relief program provides up to 100% Federal funding for emergency repairs to roads and bridges damaged by natural disasters. How long do these projects typically take to complete? Are they always of an emergency nature?

Response: In order that a project for repairing disaster damage be considered eligible for ER funds, a determination must be made that an emergency situation does in fact exist. Once ER funds are approved, repairs are generally completed in less than 2 years. In some cases, emergency repairs and permanent restoration work are undertaken simultaneously as soon as possible after the disaster. In other cases, emergency repairs are performed immediately to restore traffic service while plans are prepared for restoring the damaged section of highway to its predisaster condition. Depending on the magnitude of the disaster and the nature of the damage, some ER projects require more than 2 years to complete. Regulations implementing the current law require an evaluation of any ER project which has not advanced to construction within 2 years. If a determination is made that an emergency situation no longer exists or that the State has not attempted to advance the project in a manner consistent with the purported emergency nature of the work, the project may be withdrawn from the ER program. Such a project would be eligible at that time for regular Federal-aid highway funding with the appropriate matching share required to be provided by the State.

Senator Andrews: Have you considered requesting funds for your emergency relief program under the Federal-aid highway programs which require local matching? What does your proposed legislation provide in this regard?

Response: Emergency relief is intended to help States and local highway agencies bear the unexpected heavy expenses of repairing serious damage to Federal-aid highways as a result of a widespread natural disaster or a catastrophic failure. The provision of the emergency fund permits the States to plan their Federal-aid highway programs in an orderly fashion using regularly apportioned Federal-aid funds. As discussed in the answer to the previous question, it is the policy of the Federal Highway Administration (FHWA) to evaluate all ER projects which have not advanced to the construction stage within a 2-year period following a disaster. If it is determined an emergency situation no longer exists, the project may be withdrawn from the ER program and permanent restoration of the damaged facility included in the State's program of projects utilizing regular Federal-aid highway funds. The FHWA has proposed no change in this concept; however, in order to encourage sound and prudent project proposals from the States and local governments, and to expedite projects for permanent restoration of disaster damage, we have proposed limiting the Federal share of the cost of all ER projects on the Federal-aid system to 75 percent.

Senator Andrews: As I understand it, the authorization for the emergency relief program allows the Federal funding to be anywhere between 75% and 100%. How many emergency relief projects have been funded at under 100% Federal share.

Response: In September 1976, the Federal Highway Administrator made a blanket finding that the public interest would be served by providing disaster assistance with ER funds at 100 percent of eligible project costs upon a request by the State. Since that time, all ER projects on the Federal-aid system have been funded with a Federal share of 100 percent with one exception. In that case, the State requested and was granted approval to receive ER funds in the amount of only 70 percent of the eligible project costs.

Senator Andrews: Please provide a narrative and numerical description of emergency relief provided in response to the Mount St. Helens' eruption. What percentage of this relief was paid for by Washington State, or any other State which received relief?

Response: The first program of eligible projects related to the Mount St. Helens disaster in the State of Washington was approved in August 1980 and totaled $23.5 million. The proposed work is broken down as follows:

MOUNT ST. HELENS EMERGENCY RELIEF PROJECTS

LOCATION	TYPE OF WORK	AMOUNT (Millions)
All Federal-aid highways	Removal of volcanic ash from highways	$ 4.1
SR 504 from Toutle east to Camp Baker (approximately 17 miles)	Emergency repairs to restore traffic service	1.2
SR 504 from Toutle east to Camp Baker	Permanent restoration of roadway	13.4
SR 411 near Castle Rock	Permanent restoration of roadway	3.2
I-5 near Toutle River	Unplug drainage system	1.3
I-5 bridges over the Toutle River	Repair superstructure damage	0.3
		$23.5

More than $13 million was obligated by Washington in fiscal year(FY) 1980 for highway work related to the Mount St. Helen's disaster. Proposed obligations in FY 1981 total more than $9 million. In addition, almost $1.4 million was obligated in Oregon and Idaho in FY 1980 to clean volcanic ash from highways in those States. All eligible work resulting from the Mount St. Helens disaster has been approved for funding with 100 percent Federal funds.

HIGHWAY SAFETY GRANTS

Senator Andrews: What is the reason for the proposed elimination of highway safety grants to the States? For what purpose were they designed? How have they been used?

Response: The legislative package proposes to eliminate funding for the highway-related safety grants administered by the Federal Highway Administration (FHWA) under 23 U.S.C. 402. The Administration has determined there is no longer a need for this special Federal program. It was established in 1966 to accelerate and upgrade State and local management capabilities in identifying highway-related safety problems, and in planning, implementing, and evaluating corrective measures. During the past 13 years, there has been a growing awareness on the part of the State and local jurisdictions of their responsibility for highway safety, and we believe essential activities will be continued without special funding. Funds have been used for such activities as traffic records systems, studies, analyses and evaluations, engineering services, technical training, and inventorying, purchasing, and installing warning and regulatory signs off the Federal-aid systems.

Senator Andrews: Please provide a listing by State of the amount included in highway safety grants for Fiscal Years 1979, 1980, and 1981.

Response: Following is a table showing FHWA funds made available to the States for highway-related safety grants in Fiscal Years 1979, 1980, and 1981.

DISTRIBUTION OF FHWA FUNDS FOR
HIGHWAY-RELATED SAFETY GRANTS

STATE	FISCAL YEAR 1980	FISCAL YEAR 1980	FISCAL YEAR 1981
Alabama	489,000	489,000	490,000
Alaska	138,000	139,000	139,000
Arizona	269,000	240,000	245,000
Arkansas	318,000	318,000	319,000
California	2,253,000	2,256,000	2,262,000
Colorado	357,000	357,000	358,000
Connecticut	330,000	330,000	331,000
Delaware	138,000	139,000	139,000
Florida	826,000	826,000	827,000
Georgia	629,000	630,000	631,000
Hawaii	138,000	139,000	139,000
Idaho	180,000	182,000	186,000
Illinois	1,317,000	1,317,000	1,321,000

STATE	FISCAL YEAR 1979	FISCAL YEAR 1980	FISCAL YEAR 1981
Indiana	668,000	667,000	669,000
Iowa	474,000	473,000	472,000
Kansas	451,000	451,000	451,000
Kentucky	435,000	435,000	435,000
Louisiana	452,000	453,000	455,000
Maine	138,000	139,000	139,000
Maryland	429,000	430,000	431,000
Massachusetts	614,000	615,000	616,000
Michigan	1,076,000	1,077,000	1,080,000
Minnesota	589,000	588,000	590,000
Mississippi	337,000	338,000	339,000
Missouri	663,000	663,000	664,000
Montana	190,000	190,000	189,000
Nebraska	306,000	306,000	306,000
Nevada	141,000	139,000	139,000
New Hampshire	138,000	139,000	139,000
New Jersey	758,000	759,000	761,000
New Mexico	188,000	188,000	188,000
New York	1,973,000	1,974,000	1,978,000
North Carolina	657,000	658,000	659,000
North Dakota	211,000	211,000	210,000
Ohio	1,235,000	1,236,000	1,238,000
Oklahoma	443,000	443,000	443,000
Oregon	390,000	397,000	406,000
Pennsylvania	1,359,000	1,359,000	1,361,000
Rhode Island	138,000	139,000	139,000
South Carolina	361,000	361,000	362,000
South Dakota	193,000	193,000	192,000
Tennessee	526,000	526,000	528,000
Texas	1,548,000	1,552,000	1,559,000
Utah	182,000	185,000	185,000
Vermont	138,000	139,000	139,000
Virginia	565,000	566,000	567,000
Washington	473,000	474,000	474,000
West Virginia	232,000	232,000	233,000
Wisconsin	620,000	620,000	621,000
Wyoming	138,000	139,000	139,000
Dist. of Col.	138,000	139,000	139,000
Puerto Rico	277,000	278,000	278,000
Sec'y of Interior	138,000	139,000	139,000
Total	27,400,000	27,400,000	27,400,000
Administration	600,000	600,000	600,000
Grand Total	28,000,000	28,000,000	28,000,000

HAZARDOUS MATERIALS

Senator Andrews: What is Federal Highway Administration's role in monitoring or regulating the transport of hazardous materials on this country's roads and highways? Be specific as to your legislative mandate, the offices involved and the money spent in this effort.

Response: The passage of the Hazardous Materials Transportation Act of 1974 (PL 93-633) vested in the Secretary of Transportation the authority to promulgate and enforce regulations dealing with the shipment and transportation of hazardous materials. Each modal administration retained the primary responsibility for originating regulations and for carrying out the inspection, compliance and enforcement, and training activities for its particular mode. The purpose of the Department's hazardous materials compliance and enforcement activities is to reduce the number of transportation incidents and the risk of catastrophic occurrences that may result from violations of the Hazardous Materials Regulations.

The Federal Highway Administration's Bureau of Motor Carrier Safety maintains a field inspection staff which enforces both the Hazardous Materials Regulations and specific modal regulations. These investigators are responsible for monitoring operations of firms which ship and/or transport hazardous materials. This monitoring is accomplished by conducting safety management audits of shippers and carriers and through roadside examinations of vehicles transporting hazardous materials.

Recently enacted legislation has added additional enforcement and compliance responsibilities to Federal Highway Administration. Passage of the Resource Conservation and Recovery Act, Clean Water Act, and the Environmental Response, Compensation and Liability Act, have added additional materials to the list of materials regulated as hazardous. These new requirements which mandate coordination with the Environmental Protection Agency have required investigators to also inspect and audit shippers and carriers not previously subject to the Hazardous Materials Regulations.

A memorandum of understanding between the Department of Transportation and the Environmental Protection Agency was developed which delineated responsibilities for the enforcement of standards applicable to shippers and carriers of hazardous waste as mandated by the Resource Conservation and Recovery Act. The Federal Highway Administration is responsible for compliance audits and enforcement efforts for both interstate and intrastate shippers and carriers of hazardous wastes.

Legislative Mandates Affecting Federal Highway Administration for Hazardous Materials

Hazardous Materials Transportation Act (PL 93-633)
Motor Carrier Safety Act (49 U.S.C. 1655)
Resource Conservation and Recovery Act (42 U.S.C. 6923)
Clean Water Act (33 U.S.C. 1321)
Environmental Response, Compensation, and Liability Act of 1980

Compliance Cost Estimate by Year

Fiscal Year	Cost Estimates
1979	$2,016,000
1980	$2,068,000
1981 (First 4 months)	$ 773,000
1981 Annualized	$2,319,000

The cost figures represent direct costs related to implementing the hazardous materials program plus the allocation of certain supervisory and other overhead expenses and salaries. The cost of implementing the hazardous materials program in Fiscal Year 1981, which now includes hazardous waste, is expected to require approximately 12 percent more than in Fiscal Year 1980.

Senator Andrews: Please provide statistics on the number of accidents and materials involved in hazardous materials incidents in 1979, 1980, and 1981.

Response: The Bureau of Motor Carrier Safety conducted in-depth accident investigations of incidents involving vehicles transporting hazardous materials as follows:

1979 - 27
1980 - 24
1981 - 4 (to date)

Hazardous materials incident reports filed with the Materials Transportation Bureau cover all classification of hazardous materials. In 1979, 15,978 reports were filed; in 1980, 15,024 reports were filed. The Materials Transportation Bureau has advised us that no figures are available for 1981 as yet. Follow-up inquiries on reported incidents are conducted on about 10 percent of the reported incidents each year.

PROPOSED LEGISLATION

Senator Andrews: Please provide for the record a section-by-section analysis of your proposed legislation. Identify both the additions and deletions to last year's bill.

Response: Attached for the record is a copy of the legislative proposal submitted by this Administration on March 17, 1981, with a section by section analysis. Also attached is a table comparing the March 17, 1981 legislation, S. 841 with the bill transmitted to the Congress January 16, 1981.

COMPARISON

ADMINISTRATION BILL, S. 841, INTRODUCED BY SENATOR STAFFORD 3/31/81
FORMER PRESIDENT CARTER'S BILL TRANSMITTED TO THE CONGRESS 1/16/81

Legislation and Regulations Division
Office of the Chief Counsel
FHWA, April 1981

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Citation	Sec. 101 Federal- Aid Highway Act of 1981	Sec. 101 Same
Interstate Authorization	Sec. 102(a) Authorzies $3.3 billion for FY 83 and $3.625 billion for FY's 84 through 90, HTF	Sec. 102(a) Authorizes $3.5 billion for FY 83 and $3.625 billion for FY's 84 through 90, HTF
Completion Definition	Sec. 102(b) Provides a new definition for Interstate completion and limits obligation of funds to features included in the 1981 Interstate Cost Estimate	Sec. 102(b) Same
Future Interstate Cost Estimate	Sec. 102(c) Provides that future Interstate cost estimates will be prepared on the basis of the new completion definition and the cost limitation of Sec. 102(b)	Sec. 102(c) Same
Demapping	Sec. 102(d) Permits the Secretary to withdraw approval of certain Interstate segments (demapping)	No similar provision
Interstate Apportionment - Use of Cost Estimate	Sec. 103 Approves the use of apportionment factors for FY's 83 and 84	Sec. 103 Same
Authorization Primary	Sec. 104(a)(1) PRIMARY SYSTEM $1.5 billion FY 82 $1.7 billion FY 83 $1.8 billion FY's 84 through 86 All HTF	Sec. 104(a)(1) PRIMARY SYSTEM $1.8 billion FY's 82 and 83 $1.9 billion FY's 84 and 85 $2.0 billion FY 86, All HTF
Alaska and Puerto Rico	Sec. 104(a)(1) $10 million set aside each from primary authorizations for FY's 82 through 86 to Alaska and Puerto Rico	Sec. 105(a) Includes Alaska and Puerto Rico in 1/2 of 1 percent minimum Interstate 4R apportionment

Short Subject	S. 841 - Administration Bill	Bill of 1-16-81
Secondary System and Rural Program	Sec. 104(a)(1) SECONDARY SYSTEM $700 million FY 82 $300 million FY 83, HTF No funding thereafter	Sec. 104(a)(2) RURAL PROGRAM $700 million FY's 82 through 86, HTF
Urban System and Program	Sec. 104(a)(2) URBAN SYSTEM $900 million FY 82 $500 million FY 83, HTF No funding thereafter	Sec. 104(a)(3) URBAN PROGRAM $900 million FY's 82 through 86, HTF
Forest Highways, Public Lands Highways and Federal Lands Highways	Sec. 104(a)(3)(4) (3) FOREST HIGHWAYS $34 million FY's 82 through 86, HTF (4) PUBLIC LANDS HIGHWAY $16 million FY's 82 through 86, HTF	Sec. 104(a)(4) FEDERAL LANDS HIGHWAY PROGRAMS $50 million FY's 82 through 86, HTF
Bridge	Sec. 104(a)(5) BRIDGE REPLACEMENT AND REHABILITATION $900 million FY 82 $1.2 billion FY 83 $1.4 billion FY's 84 through 86, HTF	Sec. 118(e)(2) BRIDGE REPLACEMENT AND REHABILITATION $1.2 billion FY's 82 through 86, HTF
Primary Authorization	Sec. 104(b)(1) Repeals old FY 82 primary authorization	Sec. 104(c)(1) Same
Territorial Highway Program Authorization	No similar provision	Sec. 104(b)(1)(2)(3) and (4) $12 million FY's 82 through 86
Secondary Authorization	Sec. 104(b)(2) Repeals old FY 82 authorization for secondary system	Sec. 104(c)(2) Same
Authorization Repeals Urban Forest Highways Public Lands Highways Forest Development Roads and Trails	Sec. 104(b)(3) Repeals old FY 82 authorizations for urban system, forest highways, public lands highways, forest development roads and trails, public lands development roads and trails, park roads and trails, parkways, Indian reservation roads and bridges, economic growth center development highways, safer off-system roads and access highways.	Sec. 104(c)(3) Repeals FY 82 urban authorization Sec. 115(f) Repeals old FY 82 authorization for forest highways, public lands highways, economic growth center development highways, safer off-system roads and access highways.

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Authorization Repeals (Continued) Public Lands Development Roads and Trails Park Roads and Trails Parkways Indian Reservation Roads and Bridges Economic Growth Center Development Highways Safer Off-system Roads Access Highways		FY 82 authorizations for forest development roads and trails, public lands development roads and trails, park roads and trails, parkways and Indian Reservation roads and bridges are left as is
Great River Road Authorization	Sec. 104(b)(4) Repeals FY 82 Great River Road Authorization and lapses outstanding contract authority effective September 30, 1981.	Sec. 115(f) Repeals FY 82 Great River Road Authorization
Interstate Construction	Sec. 104(c) Eliminates Interstate Construction 1/2 of 1 percent minimum	Sec. 104(d) Same
Territorial Highway Program Authorization	Sec. 123(b) Repeals FY 82 authorization for territorial highway	Sec. 104(c)(4) and (5) Repeals FY 82 authorization (see Sec. 104(b)(1)(2)(3) and (4) for territorial highway program authorization)
Highway Safety Program Authorization	Sec. 104(d)(1) Repeals the FY 82 authorization for FHWA highway safety programs (Sec. 402)	Sec. 118(b) Same
Lapse	Sec. 104(d)(2) Provides that unobligated balances for FHWA sec. 402 programs shall lapse September 30, 1981.	Sec. 116(c)(3) Provides that unobligated balances for FHWA sec. 402 programs shall remain available and lapse not later than September 30, 1984.
Bridge Authorization	Sec. 104(d)(3) Repeals FY 82 bridge authorization	Sec. 118(e)(1) Same
Elimination of Hazards Authorization	Sec. 104(d)(4) Repeals FY 82 sec. 152 authorization	Sec. 118(c) Same
Rail-Highway Crossing	Sec. 104(e) Repeals FY 82 rail-highway crossing authorization	Sec. 115(g) Same

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Demonstration Projects - Railroad Highway Crossings	Sec. 104(f) Repeals FY 82 demonstration projects - Railroad Highway Crossing authorization	Sec. 115(c) Same
Bicycle Program	Sec. 104(g) Repeals FY 82 bicycle authorization	No similar provision
Discretionary Bridge Fund	Sec. 104(h) Provides a discretionary bridge fund of $200 million for FY 82 and $300 million for FY's 83 through 86. Period of availability is 2 years with lapsed funds to be reallocated. Eligible projects cost $10 million or twice a State's annual apportionment.	Sec. 104(e) Provides a discretionary bridge fund of $300 million for FY's 82 through 86. Period of availability is 4 years. Eligible projects cost $25 million or twice a State's annual apportionment.
Interstate 4R Apportionment	Sec. 105 Establishes a new Interstate 4R apportionment and a guarantee of 1/2 of 1 percent of the national apportionment for each State except Alaska and Puerto Rico.	Sec. 105 Does the same except that Alaska and Puerto Rico are included in the 1/2 of 1 percent minimum guarantee.
Interstate 4R Authorization	Sec. 106 Authorizes $800 million for FY 83 $1.3 billion for FY 84 $2.0 billion for FY 85 $2.1 billion for FY 86 and $2.7 billion for FY 87 Toll roads are not eligible and funds may not be transferred to another apportionment. All out of HTF.	Sec. 106 Authorizes $1.4 billion for FY 83 $2.0 billion for FY 84 $2.1 billion for FY 85 $2.2 billion for FY 86 and $2.4 billion for FY 87 Toll roads are eligible for Interstate 3R but not for the 4th R. Interstate 4R funds excess to 4R needs may be transferred to a State's primary apportionment. All out of HTF.
Technical Amendments	Sec. 107 Conforms 23 U.S.C. 119(a) to Interstate 4R amendments	Sec. 107 Same
Interstate 4R Federal Share	Sec. 108 Changes the Federal share for Interstate 4R from 75% to 90%.	Sec. 108 Changes the Federal share for project items made ineligible for Interstate construction funds by the Federal-Aid Highway Act of 1981 from 75% to 90%.

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Interstate Substitution	Sec. 109 Provides that highway substitute projects funds shall be authorized from the Highway Trust Fund without contract authority. A State's unobligated Interstate apportionments are reduced when a withdrawal is made under 23 U.S.C. 103(e)(4). The reduction can be reallocated by the Secretary as part of the Interstate Discretionary Fund. Routes added to the Interstate System by legislation after March 7, 1978 would not be eligible for withdrawal and substitution	Sec. 109 Would allow the use of 2% of the annual apportionment of Interstate substitution funds for planning. Highway substitute projects would be authorized from the Highway Trust Fund without contract authority. A State's unobligated Interstate apportionment would be reduced when a withdrawal was made for a transit substitute project under 23 U.S.C. 103(e)(4). The reduction could be reallocated by the Secretary as part of the Interstate Discretionary Fund.
Interstate 4R - Hold Harmless	Sec. 110 Would assure all States except Alaska that they would receive an apportionment of Interstate 4R funds on October 1, 1981 sufficient to insure that their total of Interstate and Interstate 4R funds are not less than their total of Interstate and Interstate 3R funds would have been on October 1, 1981 under the law before this Act.	No similar provision
Interstate Discretionary Fund (IDF)	Sec. 111 Would make the IDF discretionary, would establish priorities for allocations and would set aside $125 million per year from Interstate Construction funds for the IDF.	No similar provision
Primary Program	Sec. 112 Would repeal the priority primary program and eliminate the priority primary set aside for FY 82.	Sec. 110 Same
Apportionments for Bridges	Sec. 113 Establishes an apportionment formula for bridge funds based on cost to rehabilitate and replace. No State shall receive less than 1/4 of 1 percent or more than 8 percent of the total annual apportionment. Funds are available for two years and shall be reapportioned if they lapse.	Sec. 119 Differs from sec. 113 in that the apportionment formula is based on cost and area.
Emergency Relief	Sec. 114 Provides that all expenditures for emergency relief, past or present, come from the Highway Trust Fund. Annual	Sec. 121 The same as sec. 114 except that technical amendments are made and the effective Federal share payable is

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Emergency Relief (Continued)	permissible expenditures are increased from $100 million to $150 million. Expenditures for a single disaster or failure in a State are limited to $30 million. The Federal share payable is changed from an effective 100% to 75% except for Federal lands highways which remain at 100%.	changed to 90% except for Federal lands highways which remain at 100%.
Non-discrimination	Sec. 115 Provides that equal employment opportunity must be provided without regard to sex, authorizes MBE training programs, and authorizes $10 million per year for MBE training programs to be deducted from Federal-aid highway apportionments.	Sec. 122 Same as sec. 115 except that it requires affirmative action for MBE contracts and authorizes $5 million for MBE training.
Allocation of Attributable Urban Funds	Sec. 116 Permits the transfer of attributable urban funds within a State with the approval of local officials at the request of the Governor	Sec. 123 Same
Defense Access Roads	Sec. 117 Makes technical amendments to reflect current practice	Sec. 124 Same
Maintenance	Sec. 118 Would permit the Secretary to withhold project approval as a sanction to enforce maintenance for a portion of the projects in a State rather then for all the projects in a State	Sec. 127 Substantially the same as Sec. 118
Certification Acceptance	Sec. 119 Would permit certification acceptance to the physical construction phase of Interstate 4R projects, would eliminate the requirement of final inspection under certification acceptance and the secondary road plan, and would extend the coverage of the secondary road plan	Sec. 129 Would permit certification acceptance procedures for Interstate 4R projects

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Historic Sites	Sec. 120 Would eliminate requirements in title 23, United States Code and in the DOT Act which are also contained in the National Historic Preservation Act	Sec. 130 is the same as Sec. 120
Woodrow Wilson Bridge	Sec. 121 Authorizes the Secretary to enter into agreements with Maryland, Virginia, and the District of Columbia to reconstruct the Woodrow Wilson Bridge at a 75% Federal share	No similar provision
Federal Advisory Committee Act	Sec. 122 Would permit the Secretary to consult with State highway and transportation departments and organizations of State and local highway and transportation officials without regard to the Federal Advisory Committee Act	No similar provision
Territorial Highway Program	Sec. 123 Repeals the territorial highway program	No similar provision
Acceleration of Bridge Projects	Sec. 124 Repeals the program which provides special funding for the U.S. Grant bridge and the East Huntington bridge	No similar provision
Carpool and Vanpool Projects	Sec. 125 Would permit the use of Interstate 4R funds to build parking lots or to designate existing facilities for such use.	No similar provision
Highland Scenic Highway	Sec. 126 Would permit the State of West Virginia to maintain the Highland Scenic Highway	No similar provision
Inspection	Sec. 127 Would remove the requirment that the Secretary inspect each highway construction project	No similar provision

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Planning and Research	Sec. 128 Would permit the pooling of highway planning and research funds (HPR funds) and would establish a uniform period of availability and a uniform Federal Share for HPR funds	No similar provision
Appalachian Development (ADHS)	Sec. 129 Would transfer the Appalachian Development Highway System from the Appalachian Regional Commission to DOT, would fund the ADHS from the Highway Trust Fund, would establish contract authority for the ADHS, and would change the Federal Share for advance construction on the ADHS from 70% to 80%	No similar provision
Technical Amendments	Sec. 130 Makes technical amendments	Sec. 126 Same
Study	No similar provision	Sec. 111 Requires a study to determine if certain mileage should be added to the primary system
Planning and Research	No similar provision	Sec. 112 Increases funding for highway planning and research
Urban Program	No similar provision	Sec. 113 Would abolish the Federal-Aid Urban System and establish a Federal-Aid Urban Program
Rural Program	No similar provision	Sec. 114 Would abolish the Federal-Aid Secondary System and establish a Federal-Aid Rural Program
Program Consolidations	No similar provision but S. 841 did not fund any of these categories	Sec. 115 Would repeal sections concerning economic growth center development highways, the Great River Road, the hazard elimination program, access highways, highways crossing Federal projects, the Alaska Highway, safer off-system roads, bridges on Federal dams, and demonstration projects in order to consolidate them with other programs

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Highway Safety Improvement Program	No similar provision	Sec. 116 Would establish a single highway safety improvement program by combining all safety categories
Railway-Highway Crossings	No similar provision	Sec. 117 Would require that railway-highway crossing projects be funded under the new consolidated safety fund at the Federal share provided in 23 U.S.C. 120(d)
Authorizations	No similar provision	Sec. 118 Would make highway safety authorizations of $500 million per year for FY's 83 through 86 for the highway safety improvement program; would change the Federal share payable for the Territorial Highway Program from 100% to 90% and would make territorial highway funds available for highway safety improvement projects
Speed Monitoring Equipment	No similar provision	Sec. 120 Would make the purchased of speed monitoring equipment eligible for funding as a part of Federal-aid highway construction
Bicycles	No similar provision	Sec. 125 Would broaden the authority to spend Federal-aid highway funds on bicycle transportation
Federal Lands Highways	No similar provision	Sec. 128 Would consolidate forest highways and public lands highways into one program, the Federal Lands Highway Program
Citation	Sec. 201 "Highway Safety Act of 1981"	Sec. 301 "Highway Safety Act of 1981"

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Authorizations	Sec. 202(a) Repeals the fiscal year 1982 authorizations for NHTSA 4C2 highway safety programs, for NHTSA 403 Research and Development programs, for 402(c) and sec. 154, national maximum speed limit programs, for FHWA 307(a) and 403 Research and Development programs for 406 school bus driver training and for 407, innovative grants programs	No similar provision
NHTSA Highway Safety Programs	Sec. 202(a)(1) Authorizes out of the HTF $77 million per year for FY's 82 through 86	Sec. 302(1) Authorizes out of the HTF $148 million for FY 83 $161 million for FY 84 $175 million for FY 85 and $191 million for FY 86
NHTSA Highway Safety Research and Development	Sec. 202(a)(2) Authorizes out of the HTF $31 million per year for FY's 82 through 86	Sec. 302(2) Authorizes out of the HTF $33 million for FY 83 $34 million for FY 84 $35 million for FY 85 and $36 million for FY 86
FHWA Highway Safety Research and Development	Sec. 202(a)(3) Authorizes out of the HTF $10 million for FY 82 $13 million per year for FY's 83 through 86	Sec. 302(3) Authorizes out of the HTF $10 million per year for FY's 83 through 86
NHTSA Highway Safety Programs and Innovative Project Grants	Sec. 202(b) Lapses the unobligated balance of contract authority for these programs on September 30, 1981	No similar provision (See Sec. 302(5))
National Maximum Speed Limit Sec. 402(c) and Sec. 154	No similar provision	Sec. 302(4) Authorizes out of the HTF $50 million per year for FY's 83 and 84 $60 million per year for FY's 85 and 86

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Innovative Project Grants, NHTSA	No similar provision	Sec. 302(5) Authorizes out of the HTF $4 million per year for FY's 83 through 86
Highway Safety Programs	Sec. 203 Amends 23 U.S.C. 402(a) to eliminate highway safety programs that have been ineffective and to emphasize programs that have been effective	Sec. 307 Amends 23 U.S.C. 402(a)
Highway Safety Program Requirements	Sec. 204 Repeals subsections (b), (h), and (j) of 23 U.S.C. 402	Sec. 303 Amends 23 U.S.C. 402(b)(1) Sec. 304 Amends 23 U.S.C. 402(h)
School Bus Driver Training	Sec. 205 Repeals 23 U.S.C. 406	Sec. 306 Repeals 23 U.S.C. 406
Innovative Project Grants	Sec. 206 Repeals 23 U.S.C. 407	No similar provision
Indian Highway Safety Funds	No similar provision	Sec. 305 Amends 23 U.S.C. 402(c) to raise the apportionment of highway safety funds for Indian reservations from 1/2 of 1 percent of the total apportionment to 2 percent of the total apportionment
Citation	Sec. 301 "Highway Revenue Act of 1981"	Sec. 201 "Highway Revenue Act of 1981"
Extension of HTF Taxes	Sec. 302 Extends the taxes allocated to the HTF until October 1, 1989	Sec. 202 Extends the taxes allocated to the HTF until October 1, 1987
Extension of HTF	Sec. 303 Extends the HTF through September 30, 1990	Sec. 203 Extends the HTF through September 30, 1987

Short Subject	S. 841 - Administration Bill	Bill of 1/16/81
Increase in Motor Fuel Taxes	No similar provision	Sec. 204 Increases motor fuel taxes by 10 cents per gallon and indexes them to be adjusted for inflation
Repeal of Tax on Lubricating Oil	No similar provision	Sec. 205 Repeals tax on lubricating oil
Threshold Weight and Tax Change	No similar provision	Sec. 206 Changes the weight at which a tax is imposed on motor vehicles from 10,000 pounds gross vehicle weight (GVW) to 26,000 pounds GVW and changes the tax from 10% to 12%
Increase in Excise Tax, Parts and Accessories	No similar provision	Sec. 207 Changes the tax from 8% to 12% on heavy vehicle parts and accessories
Heavy Vehicle Use Tax	No similar provision	Sec. 208 Changes the heavy vehicle use tax
Year and Taxable Period	No similar provision	Sec. 209 Redefines year and taxable period
Taxes Transferred to HTF	No similar provision	Sec. 210 Provides for a transfer of 6 cents per gallon of motor fuel taxes into the HTF

REDEFINED COST TO COMPLETE

Senator Andrews: What will be the impact on funding to States of your proposed new definition of cost to complete the Interstate System?

Response: The proposed bill (S. 841) contains a "hold harmless" provision to ensure that no State will receive less of a total apportionment of Interstate and Interstate 4R funds for FY 1983 than that State would have received as a total apportionment of currently authorized Interstate and Interstate 3R funds if the old definition of cost to complete and the current Interstate 3R formula were retained for FY 1983. Under the proposed redefinition of FY 1983, there are 20 States with increases ranging from $64 thousand to $65 million; 29 States and the District of Columbia are held harmless and would receive the same amount of funds as they would without the redefinition. Alaska, which has no Interstate route, would not receive any Interstate funds but would receive an additional $10 million in primary funds under another provision of the proposed legislation. From FY 1984 to FY 1987 more States would receive increased apportionments as the Interstate completion authorizations rise to $3.625 billion annually for those years and the Interstate 4R rises to $1.3 billion in FY 1984; $2.0 billion in FY 1985; $2.1 billion in FY 1986; and $2.7 billion in FY 1987.

PROPOSED REPEAL OF SECTION 147
OF THE SURFACE TRANSPORTATION ASSISTANCE ACT

Senator Andrews: Why does your legislative package propose repeal of Section 147 of the Surface Transportation Assistance Act, which provides for the acceleration of bridge projects?

Response: The U.S. Grant bridge and the East Huntington bridge have grown in scope and cost to the point that it is not equitable to use a total of more than $200 million in Federal funds from the limited amount available for apportionment to all States. Also, the current planning schedule is that the funds reserved for the U.S. Grant bridge will not be used for four years or longer. The East Huntington bridge will be built as envisioned in the 1978 Surface Transportation Assistance Act, but consistent with national policy on all other Highway Bridge Replacement and Rehabilitation Program (HBRRP) projects, the long approaches and interchanges will not be eligible. The U.S. Grant project has changed completely from the simple $27 million parallel bridge envisioned in the 1978 Surface Transportation Assistance Act to a large scale relocation including interchanges, connections, and long approaches which are not eligible for HBRRP anywhere else in the Nation. The deletion of Section 147 will release the reserved funds not yet allocated for immediate apportionment and use to all States in the bridge replacement and rehabilitation program.

SIGNAL CONTROL

Senator Andrews: Have traffic responsive signal control strategies succeeded in improving traffic flow to a significant degree, compared to less expensive methods? To what extent does the Federal Highway Administration (FHWA) continue to authorize Federal-aid for traffic responsive systems?

Response: Improvements in average speed and travel time ranging from 16 percent to 40 percent, and averaging 28 percent, were achieved in three computerized signal systems where the before systems had a time clock for a master and full or partial wire interconnection with old timing plans. These new systems produced a significant reduction in fuel consumption for motorists, in the range of 7,000 to 10,000 gallons per intersection per year. In addition to the savings in fuel due to reductions in motorist delay and vehicle stops the computer based system usually provides for (1) easier updating of timing plans; (2) malfunction detection; (3) malfunction diagnosis; (4) greater adaptability to unusual events; and (5) continuing measurement of system performance.

The Federal Highway Administration continues to authorize Federal-aid funding for a traffic responsive signal system for an area where a traffic engineering study indicates that it will be effective.

Senator Andrews: Has FHWA studied whether less expensive methods, for example, shorter signal cycles or flashing operation in off-peak hours, might not compare favorably with strategies that employ vehicle detection? If so, what were the results from these studies?

Response: FHWA has considered the effects of using shorter signal cycles and of flashing signals in off-peak hours in addition to control "strategies that employ vehicle detectors."

Shorter signal cycles should usually be used when traffic volumes are lower, block lengths are shorter, and street widths are narrower. Traffic delay for average traffic volumes is less when shorter cycles are employed. However, the signal equipment of pretimed systems in use in most urban areas today can only have 3 different cycle lengths even though traffic and transit demands warrant more cycle lengths and timing plans. Computerized signal systems provide more cycle length choices which is just one of the benefits of these systems and why more cities and States are opting for them.

Putting signals on flash during the off-peak hours, especially at night when traffic volumes are very low, is a form of signal control that can be used to reduce motorist delay and vehicle stops and can produce a savings of fuel. One estimate for flashing a typical urban intersection from 10:00 p.m. to 6:00 a.m. is that the fuel savings per signal would amount to about 1,100 gallons per intersection per year. Unfortunately for some areas, putting signals on flash is not possible because the signal system does not have the capability. Again, new signal systems have this capability. The use of various signal cycle lengths and putting signals on flashing operation are two types of signal control to more efficiently handle the varying traffic demand.

Two problems face the engineer in accomplishing these actions. One is to have a signal system that has the capabilities to implement the action, and the second is implementing the action when traffic warrants it. Traditionally changes in signal control occur at predetermined times of the day because of the time-of-day time clock type operation of the signal system master in most urban areas. In Washington, D. C., for example, the morning rush hour signal operation begins at 6:00 a.m. and goes to 9:45 a.m., whether the traffic demand warrants it or not. For those locations which have a signal system capable of measuring the traffic demand through the use of vehicle detectors, signal control can be made to match traffic demand resulting in further reductions of motorist delay,

vehicle stops, and fuel consumption. Having a signal system which can automatically measure changes in traffic demand and implement a control action to efficiently handle it (commonly referred to as traffic responsive) often results in an improvement in traffic flow of 5 to 10 percent as compared to a pretimed signal system.

Senator Andrews: Why did FHWA at the April 3, 1980, hearings and in subsequent correspondence attribute improvements to traffic responsive control when they were, in fact, due to less expensive off-line techniques.?

Response: The traffic and transit improvements, indicated in our previous testimony were the result of installing of a computerized signal control sytem.

Traditional pretimed signal systems in use in most urban areas today have the capability of accommodating up to 3 timing plans. Normally one is assigned to the morning rush hour period, the second to the evening rush hour period and the third to the rest of the weekday, weeknight, and all day Saturday and Sunday. There are no timing plans available for holidays or other special events, such as parades and baseballs games, even though traffic demands and patterns are distinctly different. Computerized traffic signal systems have the capability to implement a signal timing plan to efficiently handle all of the above traffic conditions and possibly more distinct traffic patterns. The additional capability of most computerized signal systems to automatically and continuously measure the varying traffic demand and automatically implement the required signal timing plan to most efficiently accommodate that traffic demand is often referred to as "traffic responsive." The indicated improvements in traffic flow as a result of the installation of a computerized traffic signal system were from cities where the varying traffic demands and patterns warranted such a signal system.

The additional points that FHWA was attempting to emphasize in the previous testimony were:

1. Where traffic signals are within one-half to one mile of each other, they should be coordinated with each other through the use of some type of signal system which will effectively handle the traffic demands and patterns.
2. Effective signal timing plans for the above signal systems must be developed and updated as the traffic demands and patterns change.
3 Effective tools for implementing the above signal timing plans are "off-line" computer optimization programs, such as the TRANSYT-7F program.

Senator Andrews: The Traffic Control Signalization Demonstration Program of the 1976 Federal-aid Highway Act intended to demonstrate the effectiveness of computerized signal control, giving priority to projects which provide the coordination of signals. If several measures (e.g., coordination of signals, computer control, parking restrictions, etc.) are implemented simultaneously and evaluated together, it is impossible to assess the influence of each improvement. Why do FHWA guidelines for this program not require a separate evaluation of the effects of computer control so that its benefits can be demonstrated as the act intended?

Response: Section 146 of the Federal-aid Highway Act of 1976 (P. L. 94-280) authorized the Secretary of Transportation to ". . . carry out traffic control signalization demonstration

projects designed to demonstrate through the use of technology not now in general use the increased capacity of existing highways, the conservation of fuel, the decrease in traffic congestion, the improvement in air and noise quality, and the furtherance of highway safety, giving priority to those projects providing coordinated signalization of two or more intersections."

The Section does not require the demonstration of the effectiveness of computerized signal control, unless a computer is installed as the master of the proposed signal control system. The 72 projects which were selected were chosen because only signal system improvements were to be made It was not intended that parking restrictions, street construction, bus lanes, etc. would be included in the selected projects. Accordingly only the impact of the traffic signal improvements would be demonstrated.

TRAFFIC SIGNALS

Senator Andrews: There have been many cases where a highway department has refused to install a traffic signal or STOP sign in spite or strong public pressure. Citizens have picketed city hall and staged sit-in demonstrations to get a traffic signal installed at intersections where people, often children, had been killed or injured. Yet the traffic engineers refused to install traffic signals on the grounds that they were not warranted under the Manual on Uniform Traffic Control Devices.

On the other hand, there are innumerable locations where traffic signals waste time and fuel when they control empty streets.

If Federal-aid for traffic control devices is to be obligated, Federal guidelines for their installation and operation, whether mandatory or advisory, ought to be satisfactory.

Will you please provide a brief summary of the rationale for each of the traffic sign and signal warrants of the Manual on Uniform Traffic Control Devices. What plans do you have to amend these warrants so that they will give adequate protection to the public and prevent needless inconvenience to traffic.

Response: In most cases the installation of a highway traffic signal will operate either to the advantage or disadvantage of traffic. A number of factors determine whether a proposed installation will improve or degrade traffic flow and safety. Traffic and pedestrian volumes are only two of the parameters that are used by the traffic engineer in judging whether or not a traffic signal should be installed. The warrants contained in the Manual on Uniform Traffic Control Devices (MUTCD) primarily utilize traffic and pedestrian volumes as the criteria. The MUTCD also lists other data that should be obtained and analyzed or reviewed as part of the decision process.

There are eight traffic signal warrants in the MUTCD:

Warrant 1 - Minimum vehicular volume.
Warrant 2 - Interruption of continuous traffic.
Warrant 3 - Minimum pedestrian volume.
Warrant 4 - School crossings.
Warrant 5 - Progressive movement.
Warrant 6 - Accident experience.

Warrant 7 - Systems.
Warrant 8 - Combination of warrants.

Warrant 1, Minimum Vehicular Volume, utilizes main street and side street traffic volumes while Warrant 2 addresses the condition where the major street traffic is so heavy that traffic on a minor street may have problems crossing or entering the major street. Warrant 3, Minimum Pedestrian Volume, is similar to Warrant 2, except that pedestrian crossing volumes are used in lieu of side street vehicular volumes. Warrant 4, School Crossing, provides for installation of a traffic signal at a school crossing when there are insufficient gaps in traffic for the school children.

Traffic signals may be installed under Warrant 5, Progressive Movement, to maintain traffic in proper platoons relative to a signal progression plan and in Warrant 7, Systems Warrant, to encourage use of a preplanned network of major routes. Warrant 6, Accident Experience, addresses the installation of a traffic signal at a location where there has been a large number of accidents susseptible to correction by traffic signal control. Warrant 8, Combination of Warrants, covers the case where Warrants 1, 2, and 3 are almost (80 percent of two of them) met. In such cases, installation of a signal is warranted.

The warrants for STOP signs listed in the MUTCD are quite broad and address a variety of situations where STOP signs are warranted.

Multiway STOP signs (usually 4-way STOP signs) are warranted where a traffic signal is warranted but cannot be quickly installed, on the basis of accidents and on the basis of certain vehicular and volume characteristics.

The traffic signal warrants have evolved over the years based on user experience and case studies. However, they have withstood the scrutiny of research--one study lists some 264 studies and references that are applicable to traffic signal warrants. The results of these studies have not conclusively demonstrated that a significant benefit can be achieved by changing the current warrants. Most traffic engineers consider the guidelines available to them in the MUTCD and in the literature to be adequate.

However, they and FHWA recognize the continuing need for improvement. The FHWA, in its research activities, has addressed the need for part-time flashing of traffic signals and removal of unneeded traffic signals, is promoting these measures and has made guidelines available to the user community. A National Cooperative Highway Research Project, with FHWA involvement, addresses the need for a peak hour traffic signal warrant. An FHWA study is underway to develop a vehicular gap warrant. It would serve as an alternative warrant and be used where a more precise analysis would be useful in determining the need and impact of a traffic signal. Basically, the number and magnitude of gaps in main street traffic would be ascertained by actual measurement, compared with side street traffic needs and a signal would be warranted where there were an inadequate number of gaps. The desirability of this type warrant has long been recognized; however, it has not been previously developed because it has been impractical to measure and analyze gaps. With the availability of chip technology the measurement and analysis of gaps is now practical and the FHWA research includes the development of the measurement analysis technique.

Availability of the warrant may alleviate one of the typical problems enunciated in the Senator's question. Citizens often see a signal as a cure-all for a safety problem or as a means of helping them enter main stream traffic "without sitting at the intersection all day." In many instances, based on the facts available and because of overall knowledge of the city, the traffic engineer will not consider the situation at a particular intersection to be a serious problem or based on experience and review of the literature, the traffic engineer's judgment may be that a traffic signal would make a problem worse.

Availability of the gap warrant will provide a more precise means to analyze such situations and the resultant analysis will not only address the need for the traffic signal but could also be used to show the impact of a traffic signal on increasing or decreasing side street and main street delay. This will provide factual data readily understood by the layman and should reduce the instances of polarization described in the Senator's question.

DISCRETIONARY BRIDGE GRANTS FOR THE LAST THREE YEARS

Senator Andrews: Please provide a listing of your discretionary bridge grants by project and dollar amount for the last three years.

Response:

HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION PROGRAM
DISCRETIONARY FUNDING STATUS REPORT
FY 1979, FY 1980, and FY 1981

STATE	BRIDGE	ALLOCATIONS APPROVED		
		FY 1979	FY 1980	FY 1981
		$ 0.608 million	$ 1.200 million	$ 1.520 million
Alabama	Cochrane	20.741		
Alaska	Gastineau and Kowee Creek	1.000	2.549	15.300
California	Golden Gate		0.720	4.000
	San Mateo		6.463	
Delaware	Augustine Cutoff		10.020	
Florida	Barron Collier		1.600	
Georgia	Torras Causeway	9.600		
Idaho	Sandpoint	0.400	0.800	1.360
Illinois	Mississippi River at Quincy	13.970	15.280	
	U.S. 36 at Florence	11.400		3.600
	Pekin	5.600	23.700	3.805
Iowa/Wisconsin	Eagle Point	0.360	0.440	7.856
Iowa	Keokuk	2.723	0.440	
Iowa/Nebraska	Missouri River at Sioux City	8.002	5.626	1.958
Kansas/Missouri	U.S. 36/Missouri River	0.400		0.400
Maine	Million Dollar		2.500	3.700
	Wiscasset-Edgecomb		17.433	
Maryland	South River	0.240		2.400
Massachusetts	Fore River		1.?24	
Michigan	Third Street	1.680		8.000
Mississippi	Natchez-Vidalia			

STATE	BRIDGE	ALLOCATIONS APPROVED FY 1979	FY 1980	FY 1981
Missouri	U.S. 67	$15.684	$ 3.291	$ 0.154
	ASB		8.620	0.478
New York	South Park Avenue	8.371		
	Queensboro	1.335		18.588
	Manhattan	2.152		
	Little Falls	3.350		
New York/Vermont	Rouses Point			0.400
Ohio	North Main Street Viaduct	18.400	7.480	
Oregon	Center Street	0.720	0.320	22.400
Pennsylvania	Bloomfield	2.880	6.640	8.640
	Passyunk Avenue	30.000		
	Beaver Falls		0.800	11.520
Rhode Island	Jamestown	0.080	2.938	
South Carolina	Hilton Head, Skull & Mackey Creek	2.500	18.400	
	Sampit River		1.000	11.040
	James Island			4.400
Texas	Brazos River Diversion Channel		8.400	
Virginia	James River	8.300	16.000	1.120
	Nansemond River	3.353		
Washington	Swinomish Channel	8.190	2.087	1.595
	Pasco-Kennewick	2.337		
	West Seattle			60.000
Wisconsin/Minnesota	Arrowhead	13.320	31.820	7.868
	TOTAL	$197.696	$198.391	$202.102

Questions Submitted by Senator Abdnor

HIGHWAY BEAUTIFICATION ACT

Senator Abnor: Mr. Barnhart, the lingering question of the future of the Highway Beautification Act is of great concern to me. While you have made numerous remarks about your personal opposition to this Act, as of yet I have not seen an official position come out of the Federal Highway Administration. Since we will probably be addressing the issue in the Environment and Public Works Committee this year I would appreciate a clear, unequivocal statement of this Administration's views on how the legislation should be addressed.

Response: The Federal Highway Administration is in the process of completing a reassessment of the highway beautification program. This action is being taken to determine the future direction and role of the Federal Highway Administration in the highway beautification efforts. A National Advisory Committee has been established to assist in this undertaking. Their deliberation has been completed and a final report of recommendations is anticipated in the near future. The reassessment may bring about new program emphasis or direction which may warrant administrative and/or legislative changes. I am reluctant to give recommendations, at this time, on how or if the highway beautification legislation should be addressed until the program reassessment is completed. If a need for legislative change is dictated by the outcome of the agency's reassessment, I will then undertake the necessary action with the Department to bring it to the attention of Congress.

Senator Abnor: Additionally, do you foresee any new actions by the Federal Highway Administration against States who's compliance have been questioned recently?

Response: Currently, the Highway Beautification Act provides for imposing sanctions against those States which do not provide for the effective control of junkyards and outdoor advertising signs. Until the present program is revised, we are obligated to enforce the existing law.

Senator Abnor: In your recommendations would you address the question of grand-fathering sanctions that have been applied, and that are pending, into a repeal of the law if you chose to recommend that route. If your recommendation parallels the Stafford proposal for States to opt in or out of a Federal program, would you please address the grand-father provision in that context also?

Response: If the highway beautification program is ultimately repealed, presumably any pending State penalty actions would become null and void. Under the proposal Senator Stafford introduced in the last Congress (S.344), the outdoor advertising program becomes voluntary and a penalty would no longer be required. We have offered technical comments on S.344 which addresses this matter in greater detail.

Questions Submitted by Senator Chiles

AUTHORITY TO ELIMINATE SEGMENTS OF THE INTERSTATE SYSTEM

Senator Chiles: Mr. Barnhart, I know both you and Secretary Lewis have stated that the Administration intends to recommend completion of the Interstate System both nationally and more specifically in my home State of Florida, that has over 300 miles of incompleted Interstate roads.

Still, I was somewhat concerned to learn that the Administration has requested unprecendented authority to eliminate segments that are not cost effective, are environmentally disruptive, or are not essential to the unified and connected System.

The proposed legislation does not include any specific criteria for eliminating portions of the System. Would you provide the Committee with a little more discussion of when you would judge a segment not to be cost effective or when you would judge a segment to be environmentally disruptive?

The legislation as proposed does not require the Department to obtain congressional approval on eliminating Interstate segments. Do you plan, however, to consult with impacted Congressional members prior to making final decisions in this regard?

As you know, we have significant incompleted Interstate gaps in Florida such as I-75 between Tampa and Miami; I-95 near West Palm Beach, and I-275 and I-595 in the St. Petersburg and Fort Lauderdale areas. Based on commitments both you and Secretary Lewis have made to complete the Florida System, is it safe to assume that all these gaps will meet your cost, environmental and other criteria?

Response: Historically, we find there are some Interstate segments which have not been put under construction for one or more reasons; they are expensive and serve relatively low traffic volumes or alternate routings are available which currently provide adequate traffic service; they require extensive right-of-way takings involving substantive impacts or relocations; and they involve highly sensitive environmental issues and/or local community acceptance of the project is not clearly defined or is only achieved by incorporation of expensive design concepts or features. The criteria used to isolate potentially ineffective, disruptive and unneeded segments would be applied at the earliest possible time. This would assure a full exchange of views and discussions at the State and local level and assure there is an early decision on projects involved in order to meet the deadlines established for Interstate System completion. It is my feeling that all gaps in the System should be reviewed and reevaluated and no gap should be gauged differently from any other.

NEW DEFINITION FOR COMPLETION OF THE INTERSTATE SYSTEM

Senator Chiles: What impact will this new definition of "completion" have on the total cost to complete the Interstate System in both dollars and percentage reduction?

Response: Under the current definition of eligibility the total cost to complete the Interstate System is estimated at $53.8 billion. Under the new definition for completion the total cost is estimated at $31.5 billion which is 41.4 percent reduction in cost.

Senator Chiles: Specifically, what impact will this new definition of "completion" have on the total cost to complete the Interstate System in Florida?

Response: The total cost to complete the Interstate System in Florida under the current definition of eligibility is estimated at $2,399,478,000. Under the new definition Florida's total cost to complete the System is $1,851,442,000. The major impact will be the shifting of eligibility for work such as safety improvements and construction of high occupancy facilities on open to traffic sections from regular Interstate funding to the proposed Interstate 4R program.

PHASE OUT OF URBAN AND SECONDARY ROADS

Senator Chiles: In your statement you indicated that after 1983 there would be no more Federal assistance for secondary and urban highways and that this effort would be returned to the States. What reaction has the Administration received from the States with regard to this proposal to eliminate over $1.5 billion in Federal assistance?

Response: There has not been time for the States to study the entire legislative proposal in detail. Reactions so far have been from special interest groups which are primarily concerned with some of the categorical programs. Reactions have been received from the Conference of Mayors and National Association of County Engineers (NACE). Their reactions have been generally supportive of efforts to remove Federal standards and regulations and promote greater local authority but in the case of NACE, this group has expressed some concern over termination of the secondary and urban programs. Further concerns are that State and local taxes will not respond quickly to the increased responsibility for the secondary and urban systems.

Senator Chiles: Please provide for the record the State-by-State allocation of these funds in FY 1980 and FY 1981.

Response:

APPORTIONMENTS OF FEDERAL-AID SECONDARY AND URBAN SYSTEM FUNDS FOR FISCAL YEAR 1980 AND 1981

STATE	FEDERAL YEAR 1980 RURAL SECONDARY	FEDERAL YEAR 1980 URBAN SYSTEM	FISCAL YEAR 1981 RURAL SECONDARY 1/	FISCAL YEAR 1981 URBAN SYSTEM
ALABAMA	11,326,133	9,761,656	12,390,170	9,761,656
ALASKA	29,431,192	3,900,400	32,050,165	3,900,400
ARIZONA	8,240,081	7,057,292	9,062,959	7,057,292
ARKANSAS	9,634,816	4,412,695	10,444,009	4,412,695
CALIFORNIA	20,257,222	92,428,114	22,290,771	92,428,114
COLORADO	9,115,301	8,702,776	10,118,825	8,702,776
CONNECTICUT	3,725,853	11,898,476	4,053,455	11,898,476
DELAWARE	2,681,525	3,900,400	2,925,300	3,900,400
FLORIDA	11,688,034	26,910,693	12,941,031	26,910,693
GEORGIA	14,157,428	13,194,163	15,542,330	13,194,163
HAWAII	2,681,525	3,900,400	2,925,300	3,900,400
IDAHO	6,577,312	3,900,400	7,232,369	3,900,400
ILLINOIS	16,420,375	46,472,804	17,820,099	46,472,804
INDIANA	12,840,782	16,620,939	13,891,313	16,620,939
IOWA	12,546,717	7,591,075	13,590,239	7,591,075
KANSAS	11,392,084	6,973,758	12,423,901	6,973,758
KENTUCKY	10,838,270	8,122,940	11,764,864	8,122,940
LOUISIANA	9,201,587	11,737,777	10,020,306	11,737,777
MAINE	4,658,667	3,900,400	5,091,039	3,900,400
MARYLAND	5,434,548	15,432,005	5,900,090	15,432,005
MASSACHUSETTS	5,392,869	24,370,900	5,877,950	24,370,900
MICHIGAN	16,305,751	32,902,357	17,829,888	32,902,357
MINNESOTA	13,905,989	12,380,751	15,053,062	12,380,751
MISSISSIPPI	9,977,558	4,547,090	11,166,312	4,547,090
MISSOURI	14,548,136	16,191,824	15,766,067	16,191,824
MONTANA	10,017,003	3,900,400	10,967,975	3,900,400
NEBRASKA	8,948,062	4,460,801	9,779,161	4,460,801
NEVADA	6,323,673	3,900,400	6,893,711	3,900,400
NEW HAMPSHIRE	2,681,525	3,900,400	2,925,300	3,900,400
NEW JERSEY	4,898,472	32,725,479	5,357,055	32,725,479
NEW MEXICO	8,467,988	3,900,400	9,242,675	3,900,400
NEW YORK	17,441,171	79,491,908	18,983,864	79,491,908
NORTH CAROLINA	16,804,322	10,850,471	18,361,032	10,850,471
NORTH DAKOTA	6,968,737	3,900,400	7,590,483	3,900,400
OHIO	17,086,830	40,599,080	18,490,015	40,599,080
OKLAHOMA	10,476,685	8,382,753	11,363,170	8,382,753
OREGON	9,053,635	6,772,785	9,882,236	6,772,785
PENNSYLVANIA	21,253,775	41,890,505	23,011,528	41,890,505
RHODE ISLAND	2,681,525	4,250,250	2,925,300	4,250,250
SOUTH CAROLINA	8,675,062	5,721,805	9,475,553	5,721,805
SOUTH DAKOTA	7,569,929	3,900,400	8,194,735	3,900,400
TENNESSEE	12,305,759	11,280,055	13,354,783	11,280,055
TEXAS	32,004,470	44,308,101	34,796,424	44,308,101
UTAH	5,676,420	4,229,053	6,228,461	4,229,053
VERMONT	2,681,525	3,900,400	2,925,300	3,900,400
VIRGINIA	12,284,498	14,806,658	13,318,948	14,806,658
WASHINGTON	8,908,142	12,284,561	9,897,031	12,284,561
WEST VIRGINIA	6,824,739	3,900,400	7,429,422	3,900,400
WISCONSIN	12,573,127	14,315,598	13,766,517	14,315,598
WYOMING	6,536,276	3,900,400	7,163,065	3,900,400
DISTRICT OF COLUMBIA		3,941,978		3,941,978
PUERTO RICO	4,181,915	7,452,474	4,559,442	7,452,474
TOTAL	536,305,000	780,080,000	585,060,000	780,808,000

1/Includes 20 percent for Resurfacing, Restoration and Rehabilitation.

PROPOSED REDUCED FUNDING FOR BRIDGES

Senator Chiles: The Committee has heard a great deal about the deteriorating condition of the Nation's bridges, with the cost to properly repair deficient bridges estimated to be $33.2 billion. In view of this situation, why is the Department proposing to reduce the funding proposed for bridges? Does the Department propose to continue the Secretary's discretionary bridge program at $200 million in FY 1982?

Response: We are not proposing a decrease in funding for the bridge program. The 1978 Surface Transportation Assistance Act provides the funding level for FY 1982 of $900 million. The Department of Transportation's proposed legislation extends the program authorization through fiscal year 1986, rising from $900 million in fiscal year 1982 to $1.4 billion in fiscal year 1986. Within these overall program levels the Secretary's Discretionary Bridge Program is continued, with $200 million set aside in fiscal year 1982 and $300 million for each of the fiscal years 1983 through 1986.

RECONSTRUCTION OF THE TAMPA SUNSHINE SKYWAY BRIDGE

Senator Chiles: Have all necessary Federal actions been taken to permit the reconstruction of the Tampa Sunshine Skyway Bridge?

Response: If the Florida Department of Transportation's plan is to rehabilitate the existing structure or to replace it in kind, we have taken all necessary Federal action for the project.

COST TO COMPLETE THE INTERSTATE SYSTEM IN FLORIDA

Senator Chiles: Based on a statement made by Florida State Secretary of Transportation, Bill Rose, last summer it was estimated that the cost to complete the interstate system in Florida was about $2.1 billion, and that Florida anticipated apportionments of Federal-aid to highway funds between that time and September 30, 1986 of about $800 million. In other words, the Florida Department of Transportation was estimating last summer that it would have a shortfall of about $1.3 billion of the funds needed to complete the interstate system. What is the current estimate to complete the interstate system in Florida? Please provide this estimate for both the current definition for completion and the new completion definition as proposed in the legislative package that was submitted to the Congress on March 17, 1981. I understand that the new legislative package continues the trust fund through 1990. For each year between now and 1990, how much funding can Florida anticipate? Can Florida still anticipate a funding shortfall as projected by Secretary Bill Rose, or will we now have adequate funds to complete the interstate system?

Response: The current estimate to complete the system in Florida under the current definition is $2.2 billion (Federal funds). The new completion definition would reduce the cost to $1.7 billion (Federal funds). The new legislative package provides for the following authorizations for Florida:

	Current Definition	New Definition
Fiscal Year 1983 (available 10/1/81)	$137 million	$182 million
Fiscal Year 1984 thru 1990	$151 million	$200 million

These amounts are based on the apportionment factors in the 1981 Interstate Cost Estimate and would change on basis of relative needs of Florida as new estimates are made biennially. These amounts total $1.2 billion (Federal funds) under the current definition and $1.6 billion (Federal funds) under the redefinition and are in addition to funds already available to Florida from prior apportionments. The 1981 Interstate Cost Estimate Report to Congress indicates that system completion is not possible, as currently defined, under existing authorizations in Florida as well as in the Nation. Under the redefinition of completion, however, system completion is possible with the proposed authorizations. The Secretary's use of the Discretionary Fund will assure that funds are available for ready to go projects (with emphasis on projects which contribute to closing gaps) in order to expedite the system completion by 1990.

STATUS OF INTERSTATE SYSTEM IN FLORIDA

Senator Chiles: As you know, the interstate system in Florida is approximately 1,460 miles long. Of this total, roughly 1,150 are now open to traffic, and of the remaining gaps, 140 miles are under construction and 170 miles are in the planning and design stage. Please provide the Committee with specific information about the portions of the interstate system in Florida that are not now open to traffic. Would you please provide for both the I-75 segment, the I-95, I-275 and I-595 segments their locations relative to cities in Florida, the number of miles involved and their status at the current time. Based on the Department's knowledge of Florida State priorities, which of these segments will be initiated in which years?

Response: Based on current estimates of State and Federal funds which will be available, the status and anticipated schedules for unopened sections are shown below:

I-75 - The 23-mile segment of I-75 northwest of Miami (from Palmetto Expressway to Alligator Alley) includes some 10 miles currently under construction with the remainder to be put under construction in 1981 and 1982.

On the west coast of Florida a 129-mile segment of I-75 from Alligator Alley at Naples north to St. Petersburg is currently under construction except a 10-mile section near Naples which is expected to start in 1981. Some 34 miles from Bradenton south to Port Charlotte are expected to be opened to traffic in May 1981.

In the Tampa area some 21 miles of the bypass are in final design and another 14 miles are under construction. This bypass is expected to be fully under construction by 1981.

I-95 - North of West Palm Beach, a 48-mile segment of I-95 includes 15 miles under construction from near State Route 714 north to State Route 70. The remaining 33 miles are currently in preliminary design with construction on some 4 miles scheduled to start in

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1981 and the remainder anticipated to be put under construction in 1986.

I-275 - In the St. Petersburg area some 3 miles of I-275 are under construction and two other sections are prepared to go under construction in 1982. Further south, near the junction with I-75, right-of-way is being acquired on a 5-mile section which is expected to be put under construction in 1981 and 1983.

I-595 - In Ft. Lauderdale, the entire 13.5-mile route is under preliminary design and present schedules indicate the 4.2-mile portion to be funded with Interstate funds is expected to be put under construction in 1985 - 1986.

DEFINITION OF THE FOUR-R'S

Senator Chiles: The new legislation qualifies resurfacing, restoration, rehabilitation, and reconstruction for interstate monies. Do these terms have specific definitions? If so, please provide the definitions. Current Federal highway legislation requires states to adequately maintain highways built with Federal assistance and the Secretary is required to withhold funds for future Federal highway projects in states that have not complied with this requirement. GAO indicates that the Department has not withheld any funds because of the lack of state performance in this matter and therefore there is no sanction in place. Please describe for the Committee the responsibility of the states to maintain the interstate system. Is the legislative proposal to include reconstruction along with the existing resurfacing, restoration and rehabilitation eligibility programs another step of the direction of the Federal government assuming responsibility that had intended to be the responsibility of the states? Because of the state responsibility in this matter, why is the Administration proposing to change from the existing 75% to 90% or the Federal share for this 4-R work?

Response: The definitions for resurfacing, restoration, rehabilitation, and reconstruction are as follows:

Resurfacing: The placement of additional pavement layers (including protective systems for bridge decks) over the existing (or restored or rehabilitated) roadway or bridge deck surface to provide additional strength or to improve serviceability for a substantial time period.

Restoration and Rehabilitation: Work required to return the existing structure (roadway pavement or bridge deck) to a suitable condition for placement of an additional stage of construction (bridge deck protective system or resurfacing) or otherwise to perform satisfactorily for a substantial time period.

Reconstruction: Any work currently eligible for Federal-aid funding under Title 23 U.S.C. including work which can presently be funded on the Interstate System as Federal-aid primary projects and work which would be excluded from regular Interstate construction funding eligibility by our proposed redefinition of Interstate completion.

Prior to the Surface Transportation Assistance Act of 1978, the responsibilities for maintaining the Interstate System were the same as for any other Federal-aid system. That is, the requirements of 23 U.S.C. 116 which state in part that "It shall be the duty of the

State highway department to maintain . . . any project constructed under the provisions of this chapter . . .", were applicable to the Interstate as well as all other Federal-aid systems.

It is still the duty of the State highway department to maintain the Interstate System. However, the STAA of 1978 recognized the unique nature of the Interstate System and the need for specific maintenance responsibilities on that system by adding a requirement under 23 U.S.C. 109(m) that the Secretary of Transportation ". . . issue guidelines describing criteria applicable to the Interstate System to ensure that the condition of these routes is maintained at the level required by the purposes for which they were designed."

These guidelines were published in the Federal Register on March 27, 1980, and require that each State highway department develope an Interstate Maintenance Program. This program must describe the method by which the State manages its maintenance and a general description of the resources and activities the State intends to devote to maintenance to attain the objectives of the Interstate maintenance guidelines.

These programs will now become the basis for defining the specific responsibilities of the State to maintain the Interstate System; and, become the basis for subsequent certifications to the FHWA by the State that it is maintaining the Interstate System in compliance with its approved Interstate maintenance program.

No new work items would become eligible for Federal assistance by the creation of the 4R program. As indicated in the above definitions, the 4R program would simply consolidate work on the Interstate System which is already eligible under various other programs.

Concerning the proposed change in the participation ratio; the 1976 Federal-aid Highway Act established the 3R program at a 90% Federal share. The reduction to 75%, made by the 1978 Surface Transportation Assistance Act, adversely affected the States. We believe revision back to 90% Federal share is necessary for several reasons. First, certain items of work which are presently eligible for Interstate funding at 90-10 participation ratio, would be shifted over to the 4R program. Secondly, the condition of the Interstate System is deteriorating and increased Federal funding is proposed as a counter measure to increased 3R needs which have placed an increased burden on limited State resources. Thirdly, the thrust of our overall legislative proposal is to maintain a strong Federal role with regard to the Interstate System while decreasing the Federal role in other areas. The 90% Federal share for the 4R program would be consistent with the strong Federal role on the Interstate System. This would also lessen the burden on States which is being created by our lessened Federal role in the Secondary and Urban system programs.

INTERSTATE DETERIORATION: REGULATION OF TRUCK WEIGHT

Senator Chiles: One reason often cited for the rapid deterioration of the Interstate System is because of heavier than anticipated use, particularly due to trucks. What are the current weights permitted for trucks and should these weight limitations be reduced?

Response: See the attached table. The forthcoming Section 161 report will address the policy issue of changes in the weight limits.

Senator Chiles: Also, in a CBO report entitled, "Highway Assistance Programs: A Historical Prospective," it was pointed out that diesel powered trucks and heavier trucks in general were under paying their proportional share of highway costs. It is also noted that the Surface Transportation Assistance Act of 1978 required the Department to complete a new cost allocation study, the final report due no later than January 15, 1982. What is the status of this report? When will it be completed? Does the Department believe that trucks are paying their way?

Response: The Section 506, Highway Cost Allocation Study is on schedule and will be completed in time to meet the final report due date of January 15, 1982. The final report will provide information on the appropriate shift in the tax burden among vehicle user groups. The study findings, together with future program authorization levels and the desired Trust Fund balance, will be used to recommend highway user tax changes. The Section 506 "Second Progress Report," submitted to the Congress on January 16, 1981, recommended that the relative user tax burden be shifted from lighter vehicles to heavier ones. The Department of Transportation cost allocation reports published in 1965 and 1969 had similar findings.

ALLOWABLE LIMITS ON THE INTERSTATE SYSTEM

State	Single Axle Weight	Tandem Axle Weight	Gross Vehicle Weight
Alabama	20,000	34,000	80,000
Alaska 1/			
Arizona	20,000	34,000	80,000
Arkansas	18,000	32,000	73,280
California	20,000	34,000	80,000
Colorado	20,000	40,000	80,000
Connecticut	22,400	36,000	80,000
Delaware	20,000	40,000	80,000
District of Columbia	21,000	37,000	73,280
Florida	20,000	40,000	80,000
Georgia	20,340	40,680	80,000
Hawaii	24,000	32,000	80,800
Idaho	20,000	34,000	80,000
Illinois	18,000	32,000	73,280
Indiana	18,000	32,000	73,280
Iowa	20,000	34,000	80,000
Kansas	20,000	34,000	80,000
Kentucky	20,000	34,000	80,000
Louisiana	20,000	34,000	80,000
Maine	22,000	34,000	80,000
Maryland 2/	20,000	34,000	80,000
Massachusetts	22,400	36,000	80,000
Michigan	20,000	34,000	80,000
Minnesota	20,000	34,000	80,000
Mississippi	20,000	34,000	80,000 (eff. Nov., 1981)
Missouri	18,000	32,000	73,280
Montana	18,000	32,000	76,800
Nebraska 3/	20,000	34,000	73,280

1/ No Interstate System Highways
2/ For Gross Vehicle Weight < 73,000 Maryland allows single axle weight of 22,400 and tandem of 36,000
3/ 80,000, at the discretion of the Director of Highways

State	Single Axle Weight	Tandem Axle Weight	Gross Vehicle Weight
Nevada	20,000	34,000	80,000
New Hampshire	22,400	36,000	80,000
New Jersey	22,400	34,000	80,000
New Mexico	21,600	34,320	86,400
New York	22,400	36,000	80,000
North Carolina	19,000	36,000	79,800
North Dakota	20,000	34,000	80,000
Ohio	20,000	34,000	80,000
Oklahoma	20,000	34,000	80,000
Oregon	20,000	34,000	80,000
Pennsylvania	22,400	36,000	80,000
Rhode Island	22,400	36,000	80,000
South Carolina	20,000	35,200	80,000
South Dakota	20,000	34,000	80,000
Tennessee	18,000	32,000	73,280
Texas	20,000	34,000	80,000
Utah	20,000	34,000	80,000
Vermont	22,400	36,000	80,000
Virginia	20,000	34,000	79,800
Washington	20,000	34,000	80,000
West Virginia	20,000	34,000	80,000
Wisconsin	20,000	34,000	80,000
Wyoming	20,000	36,000	80,000

Questions Submitted by Senator Byrd

THE HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION PROGRAM

Senator Byrd: Can you explain to me how the highway bridge replacement and rehabilitation program works?

Response: The Highway Bridge Replacement and Rehabilitation Program (HBRRP) consists of an apportioned fund program and a discretionary program. The discretionary program applies only to Federal-aid system bridges costing more than $10 million or twice the individual State's annual apportionment of HBRRP funds.

To qualify for either program a particular bridge must be classified as structurally deficient or functionally obsolete. These classifications are based upon inventory, inspection, and evaluation data gathered for each bridge by qualified inspectors employed by State or local governments. The inspection data is submitted by each State to Federal Highway Administration (FHWA) headquarters in computer tape form. If certain key items of the inspection data fall below predetermined limits for a given bridge, it is classified as deficient. A sufficiency index is then run for each deficient bridge, and those having sufficiency indices less than 50 are eligible for replacement or rehabilitation. Those having sufficiency indices between 50 and 80 are eligible for rehabilitation. A list of all eligible bridges is sent to each State periodically by FHWA.

Discretionary bridge funding requests are submitted periodically to FHWA by each State. Each request is evaluated, and the Secretary approves individual projects based upon criticality and National

impact, giving special consideration to those with legislative history.

The apportioned funding part of the program is administered by the individual State highway agencies. After receiving a list of all qualified candidates from FHWA headquarters, an annual program is assembled. The individual State priorities are established with input from local governmental jurisdictions. Consideration is given to State and local needs, both on and off the Federal-aid system. Because there is a much greater demand for funds than the funds available, this process usually results in some disappointed localities; however, first priority critical bridge needs are met to the maximum degree possible.

BRIDGE FUNDING LEVELS

Senator Byrd: What are the FY 1981 and FY 1982 funding levels? For formula? For discretionary?

Response: The recommended funding levels of the Highway Bridge Replacement and Rehabilitation program for the next two fiscal years are:

HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION FUNDING LEVELS

	Discretionary	Apportioned	Total
FY 1982	$200 million	$700 million	$ 900 million
FY 1983	$300 million	$900 million	$1,200 million

DISCRETIONARY BRIDGE ELIGIBILITY

Senator Byrd: How does a bridge become eligible for the discretionary program?

Response: A deficient Federal-aid system bridge becomes eligible for Discretionary bridge funds if its total cost exceeds $10 million or twice the State's annual apportionment of Highway Bridge Replacement and Rehabilitation Program funds. Each bridge must be submitted through normal channels to Federal Highway Administration headquarters. Each candidate is evaluated and weighed against all other candidates. The Secretary then selects individual projects, within the funds available, giving special consideration to those with legislative history and continuing those bridges already started with previous year's allocations.

AVAILABLE UNALLOCATED DISCRETIONARY FUNDS

Senator Byrd: Are there any funds available from fiscal year 1981 or prior years appropriations?

Response: There are no funds available.

WEIRTON-STEUBENVILLE BRIDGE

Senator Byrd: Would the Weirton-Steubenville bridge be eligible?

Response: The Weirton-Steubenville bridge would, in all probability, be eligible for consideration as a Discretionary bridge project. It would also be eligible for apportioned Highway Bridge Replacement and Rehabilitation Program funds.

Senatory Byrd: Under current law, would the Weirton-Steubenville bridge be eligible for discretionary funds?

Response: Yes, the Weirton-Steubenville bridge would be an eligible candidate for Discretionary bridge funds; however, it would have to compete with the many other candidates for selection.

Senator Byrd: In selecting, the bridges, do the Secretary and the Federal Highway Administrator give weight to specific bridges mentioned in legislative history -- that is, hearing record, Congressional Record, committee reports?

Response: Yes, those bridges having legislative history are given priority consideration when the Secretary allocates Discretionary bridge funds.

Senator Byrd: What would be the first year need for the Weirton-Steubenville bridge?

Response: The State of West Virginia tentatively plans to be ready to award about $25.6 million in contracts on the Weirton-Steubenville bridge during 1981. This would require about $20.5 in Discretionary bridge funds which are not available at this time.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee is recessed.

[Whereupon, at 11:20 a.m., Wednesday, March 25, the subcommittee was recessed, to reconvene Friday, March 27.]

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